
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

73-0618660

(I.R.S. Employer Identification No.)

5 Greenway Plaza,

Suite 100, Houston, Texas

(Address of principal executive offices)

77046

(Zip code)

Registrant's telephone number, including area code:
(281) 406-2000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered:</u>
Common Stock, par value \$0.16 ² / ₃ per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of our common stock held by non-affiliates on June 30, 2012 was \$519.6 million. At February 26, 2013, there were 118,638,423 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the Annual Meeting of Shareholders to be held on May 8, 2013 are incorporated by reference in Part III.

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PART I

ITEM 1. BUSINESS

General

Unless otherwise indicated, the terms “Company,” “Parker,” “we,” “us” and “our” refer to Parker Drilling Company together with its subsidiaries and “Parker Drilling” refers solely to the parent, Parker Drilling Company. The Company was incorporated in the state of Oklahoma in 1954 after having been established in 1934. In March 1976, the state of incorporation of the Company was changed to Delaware through the merger of the Oklahoma corporation into its wholly-owned subsidiary Parker Drilling Company, a Delaware corporation. Our principal executive offices are located at 5 Greenway Plaza, Suite 100, Houston, Texas 77046.

We are a provider of contract drilling and drilling-related services and currently operate in 12 countries. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced drilling contractors in the world. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe our quality, health, safety and environmental practices are leaders in our industry.

Our business is comprised of six segments: Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling, Technical Services, and Construction Contract.

Our Rental Tools Business

We provide premium rental tools for land and offshore oil and natural gas drilling and provide high-quality, reliable equipment used for drilling, workover and production applications, such as drill pipe, heavy-weight drill pipe, tubing, high-torque connections, blow-out preventers (BOPs), drill collars and more. Our rental tools business is headquartered in New Iberia, Louisiana. We also hold an inventory of rental tools and provide service to our customers from locations in Louisiana, Texas, Wyoming, North Dakota and West Virginia.

Our largest market for rental tools is U.S. land drilling, a cyclical market driven primarily by commodity pricing and availability of project financing. The increase in unconventional lateral drilling, often used in drilling shale formations, has added to the market demand for rental tools, keeping our current market focus in the regions of the primary shale plays. Based on industry information on rig use, we believe that our rental tools were used primarily in drilling for oil and liquids-rich natural gas in 2012. We also have a growing portion of our business that supplies tubular goods and other equipment to international and offshore Gulf of Mexico (GOM) customers.

Our principal customers are major and independent oil and natural gas exploration and production companies operating in the U.S. energy producing markets on land and in the GOM. Generally, rental tools are used for only a portion of a well drilling program and are requested by the customer when they are required. As a result, rental tools are usually rented on a daily or monthly basis, requiring us to keep a broad inventory in stock. For 2012, approximately 18 percent of revenues from our rental tools business were derived from equipment used in offshore and coastal water operations of the GOM. In addition, from our locations within the United States, we have provided rental tools to customers operating internationally. In 2012, we provided rental tools for use in Angola, Russia, Egypt, Mexico, Suriname, Turkey, Trinidad & Tobago, Singapore, Cameroon, Colombia, and Jordan, among others. During each of the years ended December 31, 2012, 2011 and 2010, approximately five percent of rental tools' segment revenues were derived from equipment used in international applications, respectively.

Our U.S. Barge Drilling Business

Our U.S. Gulf of Mexico barge rig fleet is the largest marketed barge fleet in the GOM region, with rigs ranging from 1,000 to 3,000 horsepower with drilling depth capabilities ranging from 13,000 to over 30,000 feet. Our rigs drill for oil, natural gas, and a combination of oil and natural gas in the shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The barge drilling industry in the GOM is

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characterized by cyclical activity where utilization and dayrates are typically driven by current oil and natural gas prices and our customers' access to project financing. Contract terms tend to be well-to-well or multi-well programs, with durations typically averaging 45 to 150 days. During periods of strong market demand, contract drilling terms may extend up to twelve months and longer.

We continue to make investments in our barge drilling fleet to increase its efficiency and safety performance. Our rigs are all equipped for zero-discharge operations and are suitable for a variety of drilling programs in coastal waters, particularly for deep shelf drilling.

Our U.S. Drilling Business

Our U.S. Drilling segment primarily consists of two new-design Arctic Alaska Drilling Unit (AADU) land rigs intended to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope. The rigs include features in use in other applications but not currently available as a drilling package in Alaska and are expected to deliver improved drilling efficiency, operating consistency and safety in this very demanding setting. In early December 2012 we commenced drilling operations with the first rig. The second rig completed client acceptance testing and began drilling in February 2013.

The Alaskan North Slope drilling market is a focus of global and regional exploration and production (E&P) companies with active programs to develop the area's hydrocarbon resources. In this market, drilling activity, and therefore production, is constrained by the existing limits of the infrastructure in place and the capabilities of existing aged technology. We believe our new-design rigs contribute to expanded drilling capabilities in this market for our customers.

In addition to the two AADU rigs, we have one land rig at our facility in New Iberia, Louisiana, that is currently being marketed for use in international markets.

Our International Drilling Business

Our international drilling business includes operations related to Parker-owned and operated rigs as well as customer-owned rigs. We strive to deploy our fleet of Parker-owned rigs in markets where we expect to have opportunities to keep the rigs regularly at work. In addition, we perform drilling-related activities for operators who own their drilling rigs and who choose to utilize our drilling experience and technical expertise to perform services on a contracted basis, including Operations and Maintenance (O&M) work, and other project management services (*e.g.*, labor, maintenance, and logistics). We have ongoing O&M and project management activities in Sakhalin Island, Russia; Papua New Guinea; China; and Kuwait.

The international drilling markets in which we operate have one or more of the following characteristics:

- customers that typically are major, independent or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure requiring a large inventory of spare parts and other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments (*e.g.*, high pressure, deep depths, hazardous or geologically challenging conditions) requiring specialized equipment and considerable experience to drill;
- drilling contracts that generally cover periods of one year or more; and
- O&M contracts that are typically multi-year drilling programs.

Our Technical Services Business

Our technical services business primarily includes our engagement in concept development, pre-FEED (Front End Engineering Design), FEED and Engineering, Procurement, Construction and Installation (EPCI) projects that have the potential to evolve into future O&M opportunities. During the EPCI phase, we focus primarily on the drilling systems engineering, procurement, commissioning and installation and typically provide

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customer support during construction. Currently, we provide these services on the Berkut platform project for Exxon Neftegas Limited (ENL). Because these projects are customer-owned and customer-funded, the Technical Services business is non-capital intensive and helps to position the company for future potential growth in O&M work.

Our technical services business is also the Company's engineering expertise center and provides our ongoing drilling businesses with services similar to those provided to our external customers; including engineering design, retrofitting of existing rigs, modification, upgrades and other technology related advancements.

Our Construction Contract Business

Our construction contract segment includes only the BP-owned Liberty extended-reach drilling rig construction project. In 2008, we commenced the construction phase of the Liberty project. In November 2010, BP suspended construction on the Liberty rig and our construction contract has expired. In addition, our O&M contract with respect to the Liberty rig expired on July 1, 2011.

For more information about the Liberty project, see Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Matters — "Liberty Project Status."

Our Strategy

Our strategy is to achieve and maintain market leadership in selected global markets as a provider of innovative, efficient and reliable drilling and drilling-related services; to grow our business through select investments in our core businesses, new assets and lines of business; and to achieve consistent execution excellence and exercise financial discipline. We are committed to achieving peak performance for our customers in routine or more conventional settings, as well as extreme and highly challenging environments through:

- innovative, fit-for-purpose products and services that deliver reliable results and measurable value;
- safe, efficient and innovative drilling and rental tool performance; and
- highly competent teams, processes and technology that are unmatched for delivering solutions to difficult challenges.

Achieving and Maintaining Market Leadership. We believe we achieve and sustain the preference for our services by the quality, efficiency and dependability of our performance and its value to the customer. We achieve this by:

- providing premium rental tools with premier customer service;
- building, upgrading and maintaining a fleet of barge and land rigs that are preferred by operators because of the value they provide;
- supplying trained and experienced operating crews, rig leadership teams and an array of support services; and
- offering engineering and other technical services that have a record of developing innovative solutions to drilling challenges in difficult, hazardous or environmentally sensitive areas.

Growing Through Selective Investment. We believe we can improve our competitive position and financial performance through investments in our core businesses and in new assets or lines of business that complement and expand our capabilities. We are focused on:

- expanding and broadening our non-capital intensive technical services and O&M activities by leveraging our experience;
- growing our rental tools operation by locating new service facilities in markets with growing demand from new and existing customers;

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- adding new equipment to and upgrading our drilling rig fleet thereby improving our opportunities with operators; and
- entering new markets that we believe present long-term oil and natural gas development opportunities.

Strive for Execution Excellence and Maintain Financial Discipline. We believe we significantly enhance our operating and financial performance potential by how well we plan, execute and manage. Our operating culture is to align resources, responsibility and accountability with achievable objectives. Our management team has extensive experience in the industry and we work diligently to continue to attract new talent to the Company that can improve our management performance and provide for excellence in leadership in the future. We maintain strong financial controls and disciplines in all aspects of our business to ensure that we adhere to solid financial principles and provide attentive stewardship of our capital. These principles are intended to lead to consistency in operational performance, stronger-than-peer financial performance and value to our shareholders.

In 2013, our focus will be on specific goals that align with these strategies. These are intended to continue to improve our safety performance; manage the geopolitical risks associated with our asset deployment; improve financial returns from operations; improve the predictability and reliability of operational, planning and project management processes; and to continue to strengthen our enterprise talent.

Our Competitive Strengths

We differentiate ourselves from other providers of similar services by focusing on our core competencies and delivering premier and measurable results to our customers. We seek to provide our customers safe, reliable and efficient operations, and innovation in our products and services through these key focus areas:

Safety: We believe industry-leading safety performance is a crucial factor in our status as a preferred drilling contractor and rental tools supplier. We have a portfolio of metrics and processes we utilize to reinforce and drive continuous improvement in safety and environmental performance.

We continue to have an outstanding safety record. In 2013, our Total Recordable Incident Rate (TRIR) was ahead of our targeted goal with more than 70 percent of our facilities reporting zero recordable injuries throughout 2013. Our TRIR has been below the industry average for more than ten years, with rates averaging significantly less than the industry average since 2004. We believe our safety record, along with integrated quality, health, safety, and environmental (HSE), maintenance and supply chain management programs, has contributed to our success in obtaining drilling contracts, as well as contracts to manage and provide labor resources for drilling rigs owned by third parties.

Personnel Development and Training: The challenges of our business are magnified when considering the technological requirements of our work and our customers. We have invested significant resources to provide a full curriculum of standardized training to overcome barriers to working safely and operating efficiently. Our training centers in Louisiana and Alaska provide safety and technical training curricula in four different languages and provide regulatory compliance training throughout the world. We also provide structured training programs and on-site instruction to our customers and clients in the use of equipment we furnish as rental tools. We are committed to ongoing training and to developing best-in-class processes for quickly and effectively developing and deploying the most qualified and highly trained industry workers.

Technology: Applying new technology to create greater efficiencies in the drilling process lies at the heart of our competitive edge. We have a nearly 80-year legacy of applying new technologies for drilling in challenging environments and a demonstrated history of technological leadership within the drilling industry. Our previous contributions to the industry include the patented heli-hoist rig design, winterized rigs on wheels for arctic drilling, and an arctic-class barge rig to explore the Caspian Sea. We have established extended reach drilling depth records on several occasions. Our new-design arctic class land rigs, designed for drilling on the Alaskan North Slope, are intended to increase drilling efficiency, consistency and safety in the extreme climate and harsh conditions of the arctic environment. Our rental tools business focuses on premium equipment, maintained to high standards, that complements advanced drilling technologies like those developed to exploit oil and natural gas deposits in shale.

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Performance: A primary aim is to provide services that benefit both our customers and our company. We strive to achieve this by planning, executing and measuring our performance against our goals and our customers' expectations. We utilize performance metrics in our business and regularly share them with our customers. Our planned maintenance programs, including preventive maintenance to facilitate dependable operating efficiency and minimize down time, helps to establish us as a contractor of choice. Our management team has extensive experience in the energy services and oil and gas drilling industries and utilizes this experience to set performance standards and assess the performance of our operations and individual employees.

Customers

Our customer base consists of major, independent and national oil and natural gas companies and integrated service providers. We depend on a limited number of significant customers. In 2012, our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, accounted for approximately 11.8 percent and 10.4 percent, respectively, of our total revenues.

Competition

We operate in highly competitive businesses characterized by high capital requirements, continuously rigorous technological challenges, evolving regulatory requirements and challenges in securing and retaining qualified field personnel.

In international land markets, we compete with a number of international drilling contractors as well as local contractors. Most contracts are awarded on a competitive bidding basis and operators often consider technical expertise and quality of equipment in addition to price. Although local drilling contractors typically have lower labor and mobilization costs, we are generally able to distinguish ourselves from these companies based on our technical expertise, safety performance, quality of service, planned maintenance and experience. In international markets, our experience in operating in challenging environments has been a significant factor in securing contracts. We believe the market for drilling contracts will continue to be highly competitive with continued focus on efficiency and quality.

In the GOM barge drilling markets, we are awarded most contracts through a competitive bidding process. We have achieved some success in differentiating ourselves from competitors through our drilling performance, upgraded fleet, planned maintenance programs, well-trained and experienced crews and safety record. This strategy has resulted in safer and more efficient operations and we believe these are important factors in contract awards.

In the U.S. rental tools market we compete with suppliers both larger and smaller than our own business, some of which are parts of larger enterprises. We believe our rental tools business is one of the leading rental tools companies in the U.S. oil and natural gas drilling markets. Our rental tools business, competes against other rentals tool companies based on its breadth of inventory, the availability and price of its product and its quality of service.

Contracts

Most drilling contracts are awarded based on competitive bidding. The rates specified in drilling contracts vary depending upon the type of rig employed, equipment and services supplied, geographic location, term of the contract, competitive conditions and other variables. Our contracts generally provide for an operating dayrate during drilling operations, with lower rates for periods of equipment downtime, customer stoppage, adverse weather or other conditions, and no payment when certain conditions continue beyond contractually established parameters. When a rig mobilizes to or demobilizes from an operating area, the contract typically provides for a different dayrate or specified fixed payments during the mobilization or demobilization. The terms of most of our contracts are based on either a specified period of time or the time required to drill a specified number of wells. The contract term in some instances may be extended by the customer exercising options for an additional time period or for the drilling of additional wells, or by exercising a right of first refusal. Most of our contracts allow termination by the customer prior to the end of the term without penalty under certain circumstances, such as the

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loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. Certain of our contracts require the customer to pay an early termination fee if the customer terminates a contract before the end of the term without cause, but in the remainder of the contracts the customer has the discretion to terminate the contract without cause prior to the end of the term without penalty.

Rental tools contracts are typically on a dayrate basis with rates based on type of equipment, investment and competitive conditions. Rental rates generally apply from the time the equipment leaves our facility until it is returned. Rental contracts generally require the customer to pay for lost, lost-in-hole or damaged equipment.

Technical Services contracts include engineering, consulting, and project management scopes of work and are typically on a time and materials basis.

Seasonality

Our rigs in the GOM are subject to severe weather during certain periods of the year, particularly during hurricane season from June through November, which could halt operations for prolonged periods or limit contract opportunities during that period. In addition, mobilization, demobilization, or well-to-well movements of rigs in arctic regions can be affected by seasonal changes in weather or weather so severe the conditions are deemed unsafe to operate in.

Insurance and Indemnification

Our operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions, pollution, and damage or loss during transportation. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment and pollution damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations.

Our contracts provide for varying levels of indemnification between ourselves and our customers, including with respect to well control and subsurface risks. We also maintain insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. Our insurance policies are typically 12-month policy periods.

Our insurance program provides coverage, to the extent not otherwise paid by the customer under the indemnification provisions of the drilling contract, for liability due to control-of-well events and liability arising from third-party claims, including wrongful death and other personal injury claims by our personnel as well as claims brought on behalf of individuals who are not our employees. Generally, our program provides liability coverage up to \$200 million, with a retention of \$1 million or less.

Control-of-well events generally include an unintended flow from the well that cannot be contained by using equipment on site (*e.g.*, a BOP), by increasing the weight of drilling fluid or by diverting the fluids safely into production. Our insurance program provides coverage for third-party liability claims relating to pollution from a control-of-well event up to \$200 million per occurrence. A separate limit of \$10 million exists to cover the costs of re-drilling of the well and control-of-well costs under a Contingent Operators Extra Expense policy. Remediation plans are in place to prevent the spread of pollutants and our insurance program provides coverage for removal, response and remedial actions. Our insurance program also provides coverage for liability resulting from pollution events originating from our rigs up to \$200 million per occurrence. We retain the risk for liability not indemnified by the customer below the retention and in excess of our insurance coverage. In addition, our insurance program covers only sudden and accidental pollution.

Based upon a Company risk assessment and due to the high cost, high self-insured retention and limited coverage insurance for windstorms in the GOM, we do not purchase windstorm insurance for our barge rigs in the GOM. We elected not to purchase such insurance. Although, we have retained the risk for physical loss or damage for these rigs arising from a named windstorm we have procured insurance coverage for removal of a wreck caused by a windstorm.

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Our contracts provide for varying levels of indemnification from our customers and may require us to indemnify our customers. Under our contracts liability with respect to personnel and property is customarily assigned on a “knock-for-knock” basis, which means that we and our customers customarily assume liability for our respective personnel and property regardless of fault. However, in certain contracts we may assume liability for damage to our customer’s property and other third-party property on the rig resulting from our negligence, subject to negotiated caps per occurrence, and in other contracts we are not indemnified by our customers for damage to their property and, accordingly, could be liable for any such damage under applicable law. In addition, our customers typically indemnify us for damage to our equipment down-hole, and in some cases our subsea equipment, generally based on replacement cost minus some level of depreciation.

Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including as a result of blow-outs or cratering of the well. In some contracts, however, we may have liability for damages resulting from such pollution or contamination caused by our negligence, gross negligence, or, in some cases, ordinary negligence.

We generally indemnify the customer for legal and financial consequences of spills of industrial waste, lubricants, solvents and other contaminants (other than drilling fluid) on the surface of the land or water originating from our rigs or equipment. We typically require our customers to retain liability for spills of drilling fluid (sometimes called “mud”) which circulates down-hole to the drill bit, lubricates the bit and washes debris back to the surface. Drilling fluid often contains a mixture of synthetics, the exact composition of which is prescribed by the customer based on the particular geology of the well being drilled.

The above description of our insurance program and the indemnification provisions typically found in our contracts is only a summary as of the date hereof and is general in nature. Our insurance program and the terms of our contracts may change in the future. In addition, the indemnification provisions of our contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations.

If any of the aforementioned operating hazards results in substantial liability and our insurance and contractual indemnification provisions are unavailable or insufficient, our financial condition, operating results or cash flows may be materially adversely affected.

Employees

The following table sets forth the composition of our employee base:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Rental Tools	279	253
U.S. Barge Drilling	387	387
U.S. Drilling	144	153
International Drilling	1,019	1,301
Technical Services, Construction Contract and Corporate	256	223
Total employees	<u>2,085</u>	<u>2,317</u>

Environmental Considerations

Our operations are subject to numerous federal, state, local and foreign laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous foreign and domestic governmental agencies, such as the U.S. Environmental Protection Agency (EPA), issue regulations to implement and enforce such laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities; limit or prohibit construction or drilling activities on certain

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lands lying within wilderness, wetlands, ecologically sensitive and other protected areas; require remedial action to clean up pollution from former operations; and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect our operations and financial position, as well as those of similarly situated entities operating in the same markets. While our management believes that we comply with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

As an owner or operator of both onshore and offshore facilities, including mobile offshore drilling rigs in or near waters of the United States, we may be liable for the costs of clean up and damages arising out of a pollution incident to the extent set forth in the Federal Water Pollution Control Act (commonly known as the Clean Water Act (CWA), as amended by the Oil Pollution Act of 1990 (OPA); the Clean Air Act (CAA); the Outer Continental Shelf Lands Act (OCSLA); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); the Resource Conservation and Recovery Act (RCRA); Emergency Planning and Community Right to Know Act (EPCRA); Hazardous Materials Transportation Act (HMTA) and comparable state laws, each as may be amended from time to time. In addition, we may also be subject to applicable state law and other civil claims arising out of any such incident.

The OPA and regulations promulgated pursuant thereto impose a variety of regulations on “responsible parties” related to the prevention of spills of oil or other hazardous substances and liability for damages resulting from such spills. “Responsible parties” include the owner or operator of a vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability of oil removal costs and a variety of public and private damages to each responsible party.

The OPA liability for a mobile offshore drilling rig is determined by whether the unit is functioning as a vessel or is in place and functioning as an offshore facility. If operating as a vessel, liability limits of \$1,000 per gross ton or \$854,400, whichever is greater, apply. If functioning as an offshore facility, the mobile offshore drilling rig is considered a “tank vessel” for spills of oil or hazardous substances on or above the water surface, with liability limits of \$3,200 per gross ton or \$23.5 million, whichever is greater. To the extent damages and removal costs exceed this amount, the mobile offshore drilling rig will be treated as an offshore facility and the offshore lessee will be responsible up to higher liability limits for all removal costs plus \$75.0 million. The party must reimburse all removal costs actually incurred by a governmental entity for actual or threatened oil or hazardous substance discharges associated with any Outer Continental Shelf facilities, without regard to the limits described above. A party also cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply.

Few defenses exist to the liability imposed by the OPA. The OPA also imposes ongoing requirements on a responsible party, including proof of financial responsibility, for offshore facilities and vessels in excess of 300 gross tons (to cover at least some costs in a potential spill) and preparation of an oil spill contingency plan for offshore facilities and vessels. The OPA requires owners and operators of offshore facilities that have a worst case oil or hazardous substance spill potential of more than 1,000 barrels to demonstrate financial responsibility in amounts ranging from \$10.0 million in specified state waters to \$35.0 million in federal Outer Continental Shelf waters, with higher amounts, up to \$150.0 million, in certain limited circumstances where the Bureau of Ocean Energy Management (BOEM) believes such a level is justified by the risks posed by the quantity or quality of oil or hazardous substance that is handled by the facility. For “tank vessels,” as our offshore drilling rigs are typically classified, the OPA requires owners and operators to demonstrate financial responsibility in the amount of their largest vessel’s liability limit, as those limits are described in the preceding paragraph. Failure to comply with ongoing requirements or inadequate cooperation in a spill may subject a responsible party to civil or criminal enforcement actions.

The OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. Violations of environmentally related

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lease conditions or regulations issued pursuant to the OCSLA can result in substantial civil and criminal penalties as well as potential court injunctions curtailing operations and the cancellation of leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

Our operating U.S. barge drilling rigs are designed to achieve zero-discharge as required by law, such as CWA. In addition, in recognition of environmental concerns regarding dredging of inland waters and permitting requirements, we conduct negligible dredging operations, with approximately two-thirds of our offshore drilling contracts involving directional drilling, which minimizes the need for dredging. However, the existence of such laws and regulations (e.g., Section 404 of the CWA, Section 10 of the Rivers and Harbors Act, etc.) has had and will continue to have a restrictive effect on us and our customers.

Our operations are also governed by laws and regulations related to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain miscellaneous permits, licenses and certificates with respect to our operations. The kind of permits, licenses and certificates required by our operations depend upon a number of factors. We believe we have the necessary permits, licenses and certificates that are material to the conduct of our existing business.

CERCLA (also known as “Superfund”) and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, our operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to a broad class of potentially responsible parties for all response and remediation costs, as well as natural resource damages. In addition, persons responsible for release of hazardous substances under CERCLA may be subject to joint and several liability for the cost of cleaning up the hazardous substances released into the environment and for damages to natural resources. Few defenses exist to the liability imposed by CERCLA.

RCRA and comparable state laws regulate the management of wastes. Current RCRA regulations specifically excludes from the definition of hazardous waste “drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal energy.” However, these wastes may be regulated by EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint wastes, spent solvents, laboratory wastes, and used oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant, we do not expect to experience more burdensome costs than similarly situated companies involved in drilling operations in the Gulf Coast market.

The CAA, comparable state laws, and implementing regulations restrict the emission of air pollutants from various sources, and may require us to obtain permits for the construction, modification, or operation of certain projects or facilities and utilize specific equipment or technologies to control emissions. For example, the EPA has adopted regulations known as “RICE MACT” that require the use of “maximum achievable control technology” to reduce formaldehyde and other emissions from certain stationary reciprocating internal combustion engines, which can include portable engines used to power drilling rigs.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” (GHGs) and which include carbon dioxide and methane, may be contributing to the warming of the atmosphere resulting in climate change. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, are attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of GHGs are contributing to climate change are in various phases of discussions or implementation at international, national, regional and state levels.

In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for GHGs, became binding on all those countries that had ratified it. International discussions are currently underway to develop a treaty to replace the Kyoto Protocol after its expiration in 2020. In the United States, federal legislation imposing restrictions on GHGs is under consideration. Proposed legislation has been introduced that would establish an economy-wide cap on emissions of GHGs and would require most sources of GHG emissions to obtain GHG emission “allowances” corresponding to their

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annual emissions. Legislation has also been considered that would establish taxes tied to GHG emissions. In addition, the EPA is taking steps to regulate GHGs as pollutants under the CAA. To-date, the EPA has issued (i) a “Mandatory Reporting of Greenhouse Gases” final rule, which establishes a new comprehensive scheme requiring operators of stationary sources (including certain oil and natural gas production systems) in the United States emitting more than established annual thresholds of carbon dioxide-equivalent GHGs to inventory and report their GHG emissions annually; (ii) an “Endangerment Finding” final rule, effective January 14, 2010 which states that current and projected concentrations of six key GHGs in the atmosphere, as well as emissions from new motor vehicles and new motor vehicle engines, threaten public health and welfare, which allowed the EPA to finalize motor vehicle GHG standards (the effect of which could reduce demand for motor fuels refined from crude oil); and (iii) a final rule, effective August 2, 2010, to address permitting of GHG emissions from stationary sources under the CAA’s Prevention of Significant Deterioration (PSD) and Title V programs. This final rule “tailors” the PSD and Title V programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and result in a disruption of our customers’ operations.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

We operate in six segments: Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling, Technical Services and Construction Contract. Information about our reportable segments and operations by geographic areas for the years ended December 31, 2012, 2011 and 2010 is set forth in Note 12 in the notes to the consolidated financial statements included in Item 8 of this report.

EXECUTIVE OFFICERS

Officers are elected each year by the board of directors following the annual meeting for a term of one year and until the election and qualification of their successors. The current executive officers of the Company and their ages, positions with the Company and business experience are presented below:

- *Robert L. Parker Jr., 64*, is the executive chairman of the board of directors. Mr. Parker joined the Company in 1973 as a contract representative, and was appointed manager of U.S. operations and a vice president later in 1973. He was elected executive vice president in 1976, and president and chief operating officer in 1977. In 1991, he was elected chief executive officer, was appointed chairman in 2006, and was appointed executive chairman in 2009 when he stepped down as chief executive officer. In the first quarter of 2012, Mr. Parker resumed the duties of president and chief executive officer until the Company hired Gary Rich as president and chief executive officer, effective October 1, 2012. Mr. Parker has been a director since 1973.
- *Gary Rich, 53*, is the president and chief executive officer, effective October 1, 2012. Mr. Rich also serves as a member of the company’s board of directors. He is an industry veteran with over 30 years of global technical, commercial and operations experience. Mr. Rich came to Parker Drilling after a 25-year career with Baker Hughes Incorporated. Most recently, he served as vice president of global sales for Baker Hughes, and prior to this role, he served as president of that company’s European operations. Previously, Mr. Rich was president of Hughes Christensen Company (HCC), a division of Baker Hughes primarily focused on the production and distribution of drilling bits for the petroleum industry.

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- *W. Kirk Brassfield, 57*, was elected senior vice president and chief financial officer in 2005. Mr. Brassfield joined the Company in 1998 as controller and principal accounting officer, and was appointed vice president, finance and accounting in 2004. From 1991 through 1998, Mr. Brassfield served in various positions, including subsidiary controller and director of financial planning of MAPCO Inc., a diversified energy company. From 1979 through 1991, Mr. Brassfield was employed at the public accounting firm KPMG. On February 11, 2013, we announced the departure of Mr. Brassfield, to be effective April 30, 2013. Mr. Brassfield will assist the Company in identifying his successor and will continue his duties as senior vice president and chief financial officer during a transition period extending through April 30, 2013, unless his successor is identified and the transition period is completed before that date.
- *Jon-Al Duplantier, 45*, is the senior vice president and general counsel. Mr. Duplantier joined the Company in 2009 as vice president and general counsel. From 1995 to 2009, Mr. Duplantier served in several legal and business roles at ConocoPhillips, including senior counsel – Exploration and Production, managing counsel – Indonesia, executive assistant – Exploration and Production, and counsel – Dubai. Prior to joining ConocoPhillips, he served as a patent attorney for DuPont from 1992 to 1995.
- *David Farmer, 51*, joined the Company in 2011 as vice president of operations. Mr. Farmer has over 20 years experience in the upstream oilfield services business working in executive, engineering, operational, marketing, account management, planning, and general management roles in Europe, the Middle East, and North and South America. From 1991 to 2011, Mr. Farmer served in various positions at Schlumberger, including vice president and global account director – Schlumberger Ltd. The Netherlands, vice president and general manager – Schlumberger Oilfield Service Qatar, global marketing manager – Schlumberger Drilling & Measurement Division, Houston, Texas. Most recently, Mr. Farmer was responsible for Demand Planning management and the development of long term tactical resource plans for Schlumberger’s Drilling & Measurement division.
- *Philip Agnew, 44*, joined the Company in December 2010 as vice president of technical services. Mr. Agnew has more than 20 years’ experience in design, construction and project management. From 2003 to 2010, Mr. Agnew held the position of President at Aker MH, Inc., a business unit of Aker Solutions AS. From 1998 to 2003, Mr. Agnew served as Project Manager and then vice president – Project Development at Signal International (previously Friede Goldman Offshore; TDI-Halter LP; Texas Drydock, Inc.). Prior to his career at Signal International, Mr. Agnew served a variety of leadership roles at Schlumberger Sedco Forex International Resources, Interface Consulting International, Inc., and Brown & Root, Inc.

Other Parker Drilling Company Officers

- *J. Daniel Chapman, 42*, joined the Company in 2009 as chief compliance officer and counsel. Prior to joining the Company, Mr. Chapman was employed by Baker Hughes from 2002 to 2009 where he served in several legal counsel positions including compliance counsel, international trade counsel, division counsel (drilling fluids), and global ethics and compliance director. Prior to 2002, Mr. Chapman was employed as a securities and mergers and acquisitions lawyer with the law firms of Freshfields (London) and King & Spalding (Atlanta and Houston).
- *Philip A. Schlom, 48*, joined the Company in 2009 as principal accounting officer and corporate controller. From 2008 to 2009, he held the position of vice president and corporate controller for Shared Technologies Inc. From 1997 to 2008, Mr. Schlom held several senior financial positions at Flowserve Corporation, a leading manufacturer of pumps, valves and seals for the energy sector. From 1988 through 1997, Mr. Schlom worked at the public accounting firm PricewaterhouseCoopers.
- *David W. Tucker, 57*, treasurer, joined the Company in 1978 as a financial analyst and served in various financial and accounting positions before being named chief financial officer of the Company’s wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998. Mr. Tucker was named treasurer of the Company in 1999.

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Available Information

We make available free of charge on our website at www.parkerdrilling.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). Additionally, these reports are available on an Internet website maintained by the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

Our businesses involve a high degree of risk. You should consider carefully the risks and uncertainties described below and the other information included in this Form 10-K, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occurs, our business, financial condition or results of operations could be adversely affected.

Risks Related to Our Business

Volatile oil and natural gas prices impact demand for our services. A decrease in demand for crude oil and natural gas or other factors may reduce demand for our services and substantially reduce our profitability or result in losses.

The success of our operations is significantly dependent upon the exploration and development activities of the major, independent and national oil and natural gas companies and large integrated service companies that comprise our customer base. Oil and natural gas prices and market expectations regarding potential changes in these prices can be extremely volatile. Increases or decreases in oil and natural gas prices and expectations of future prices could have an impact on our customers' long-term exploration and development activities, which in turn could materially affect our business and financial performance. Higher commodity prices do not necessarily result immediately in increased drilling activity because our customers' expectations of future commodity prices typically drive demand for our drilling services.

Commodity prices and demand for our services also depends upon numerous factors which are beyond our control, including:

- the demand for oil and natural gas;
- the cost of exploring for, producing and delivering oil and natural gas;
- expectations regarding future energy prices;
- advances in exploration, development and production technology;
- the adoption or repeal of laws and government regulations, both in the United States and other countries;
- the imposition or lifting of economic sanctions against certain countries, persons and other entities;
- the number of ongoing and recently completed rig construction projects which may create overcapacity;
- local and worldwide military, political and economic events, including events in the oil producing countries of Africa, the Middle East, Russia, Central Asia, Southeast Asia and Latin America;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and prices;
- the level of production by non-OPEC countries;
- weather conditions;

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- expansion or contraction of worldwide economic activity, which affects levels of consumer and industrial demand;
- the rate of discovery of new oil and natural gas reserves;
- domestic and foreign tax policies;
- acts of terrorism in the United States or elsewhere;
- the development and use of alternative energy sources; and
- the policies of various governments regarding exploration and development of their oil and natural gas reserves.

The 2010 drilling rig accident in the U.S. Gulf of Mexico and its consequences may continue to adversely affect our operations.

On April 22, 2010, the Deepwater Horizon, a deepwater drilling rig that was operating in the U.S. GOM, sank after an apparent blowout and fire (Macondo well blowout). The Macondo well blowout resulted in a temporary moratorium on certain drilling activities in the GOM, drilling delays after the lifting of the moratorium and increased federal regulation. For example, the Bureau of Safety and Environmental Enforcement (BSEE) has issued regulations that require each operator to conduct a specific review of its operations and to certify compliance to the BSEE that mandate independent third-party verifications, that impose blowout preventer capability, testing and documentation obligations, and that outline standards for specific well control training for deepwater operations. The BSEE has noted that it may impose additional regulations and has stated that it has the legal authority to extend its regulatory reach to include contractors in addition to operators.

The Macondo well blowout and the resulting moratorium and increased regulation resulted in longer times to obtain required permits and significantly reduced offshore drilling operations in the GOM, which negatively affected our Rental Tools segment. Significant continuing delay in the issuance of drilling permits, the possibility of additional regulations and government oversight and the possibility of increased legal liability could cause additional floating rigs to depart the GOM, with fewer customers operating in the region. If this were to occur, the market for our rental tools and other services could be further adversely affected.

A slow recovery from an economic recession or a slowdown in economic activity may result in lower demand for our drilling and drilling related services and rental tools business, and could have a material adverse effect on our business.

A slow recovery from an economic recession in the United States or abroad, or a slowdown in economic activity could lead to uncertainty in corporate credit availability and capital market access and could reduce worldwide demand for energy and result in lower crude oil and natural gas prices. Our business depends to a significant extent on the level of international onshore drilling activity and GOM inland and offshore drilling activity for oil and natural gas. Depressed oil and natural gas prices from lower demand as a result of slow or negative economic growth would reduce the level of exploration, development and production activity, all of which could cause our revenues and margins to decline, decrease day rates and utilization of our rigs and limit our future growth prospects. Any significant decrease in dayrates or utilization of our rigs or use of our rental tools could materially reduce our revenue and profitability. In addition, current and potential customers who depend on financing for their drilling projects may be forced to curtail or delay projects and may also experience an inability to pay suppliers and service providers, including us. Likewise, a slow recovery from an economic recession in the United States or abroad could also impact our vendors' and suppliers' ability to meet obligations to provide materials and services in general. All of these factors could have a material adverse effect on our business and financial results.

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Rig upgrade, refurbishment and construction projects are subject to risks and uncertainties, including delays and cost overruns, which could have an adverse impact on our results of operations and cash flows.

We regularly make significant expenditures in connection with upgrading and refurbishing our rig fleet. These activities include planned upgrades to maintain quality standards, routine maintenance and repairs, changes made at the request of customers, and changes made to comply with environmental or other regulations. Rig upgrade, refurbishment and construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- shortages of equipment or skilled labor;
- unforeseen engineering problems;
- unanticipated change orders;
- work stoppages;
- adverse weather conditions;
- unexpectedly long delivery times for manufactured rig components;
- unanticipated repairs to correct defects in construction not covered by warranty;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor or raw materials, particularly steel;
- disputes with customers, shipyards or suppliers;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties with current customers at shipyards and suppliers;
- loss of revenue associated with downtime to remedy malfunctioning equipment not covered by warranty;
- unanticipated cost increases;
- loss of revenue and payments of liquidated damages for downtime to perform repairs associated with defects, unanticipated equipment refurbishment and delays in commencement of operations; and
- lack of ability to obtain the required permits or approvals, including import/export documentation.

Any one of the above risks could adversely affect our financial condition and results of operations. Delays in the delivery of rigs being constructed or undergoing upgrade, refurbishment or repair may, in many cases, delay commencement of a drilling contract resulting in a loss of revenue to us, and may also cause our customer to renegotiate the drilling contract for the rig or terminate or shorten the term of the contract under applicable late delivery clauses, if any. If one of these contracts is terminated, we may not be able to secure a replacement contract on as favorable terms, if at all. Additionally, actual expenditures for required upgrades or to refurbishment or construct rigs could exceed our planned capital expenditures, impairing our ability to service our debt obligations.

Failure to attract and retain skilled and experienced personnel could affect our operations.

We require skilled, trained and experienced personnel to provide our customers with the highest quality technical services and support for our drilling operations. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience we require. Competition for skilled labor and other labor required for our operations intensifies as the number of rigs activated or added to worldwide fleets or under construction increases, creating upward pressure on wages. In periods of high utilization, we have found it more difficult to find and retain qualified individuals. A shortage in the available labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance

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our wage and benefits packages. Increases in our operating costs could adversely affect our business and financial results. Moreover, the shortages of qualified personnel or the inability to obtain and retain qualified personnel could negatively affect the quality, safety and timeliness of our operations.

Our debt levels and debt agreement restrictions may limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2012, we had:

- \$479.2 million of long-term debt;
- \$27.8 million of operating lease commitments; and
- \$4.5 million of standby letters of credit.

Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past, and may in the future, incur negative cash flows from one or more segments of our operating activities. Our future cash flows from operating activities will be influenced by the demand for our drilling services, the utilization of our rigs, the dayrates that we receive for our rigs, demand for our rental tools, general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control.

If we are unable to service our debt obligations, we may have to take one or more of the following actions:

- delay spending on capital projects, including maintenance projects and the acquisition or construction of additional rigs, rental tools and other assets;
- sell equity securities, or assets; or
- restructure or refinance our debt.

Additional indebtedness or equity financing may not be available to us in the future for the refinancing or repayment of existing indebtedness, or if available, such additional indebtedness or equity financing may not be available on a timely basis, or on terms acceptable to us and within the limitations specified in our then existing debt instruments. In addition, in the event we decide to sell assets, we can provide no assurance as to the timing of any asset sales or the proceeds that could be realized by us from any such asset sale. Our ability to generate sufficient cash flow from operating activities to pay the principal of and interest on our indebtedness is subject to certain market conditions and other factors which are beyond our control.

Increases in the level of our debt and restrictions in the covenants contained in the instruments governing our debt could have important consequences to you. For example, they could:

- result in a reduction of our credit rating, which would make it more difficult for us to obtain additional financing on acceptable terms;
- require us to dedicate a substantial portion of our cash flows from operating activities to the repayment of our debt and the interest associated with our debt;
- limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt, and create liens on our properties;
- place us at a competitive disadvantage compared with our competitors that have relatively less debt; and
- make us more vulnerable to downturns in our business.

Our current operations and future growth may require significant additional capital, and the amount of our indebtedness could impair our ability to fund our capital requirements.

Our business requires substantial capital. Currently, we anticipate that our capital expenditures in 2013 will be between \$150 to \$175 million, including between \$90 to \$105 million for maintenance projects and investments in rental tools equipment. We may require additional capital in the event of growth opportunities, unanticipated maintenance requirements or significant departures from our current business plan.

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Additional financing may not be available on a timely basis or on terms acceptable to us and within the limitations contained in the indentures governing the 9.125% Senior Notes and the documentation governing our senior secured credit facility. Failure to obtain additional financing, should the need for it develop, could impair our ability to fund capital expenditure requirements and meet debt service requirements and could have an adverse effect on our business.

Certain of our contracts are subject to cancellation or delay by our customers without penalty and with little or no notice.

Certain of our contracts are subject to cancellation by our customers without penalty and with relatively little or no notice. When drilling market conditions are depressed, a customer may no longer need a rig that is currently under contract or may be able to obtain a comparable rig at a lower dayrate. Further, due to government actions, a customer may no longer be able to operate in, or it may not be economical to operate in, certain regions. As a result, customers may leverage their termination rights in an effort to renegotiate contract terms.

Our customers may also seek to terminate drilling contracts if we experience operational problems. If our equipment fails to function properly and cannot be repaired promptly, we will not be able to engage in drilling operations, and customers may have the right to terminate the drilling contracts. If a rig is not timely delivered to a customer or does not pass acceptance testing, a customer may in certain circumstances have the right to terminate the contract. Even the payment of a termination fee may not fully compensate us for the loss of the contract. Early termination of a contract may result in a rig being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. The cancellation or renegotiation of a number of our drilling contracts could materially reduce our revenue and profitability.

We rely on a small number of customers and the loss of a significant customer could adversely affect us.

A substantial percentage of our revenues are generated from a relatively small number of customers and the loss of a significant customer could adversely affect us. In 2012, our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, accounted for approximately 11.8 percent and 10.4 percent, respectively of our total revenues. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment. Our consolidated results of operations could be adversely affected if any of our significant customers terminate their contracts with us, fail to renew our existing contracts or refuse to award new contracts to us.

The contract drilling and the rental tools businesses are highly competitive and cyclical, with intense price competition.

The contract drilling and rental tools markets are highly competitive and many of our competitors in both the contract drilling and rental tools business may possess greater financial resources than we do. Some of our competitors also are incorporated in countries that may provide them with significant tax advantages that are not available to us as a U.S. company and which may impair our ability to compete with them for many projects.

Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling and workover rigs can be moved from one region to another in response to changes in levels of activity, provided market conditions warrant, which may result in an oversupply of rigs in an area. Many competitors have constructed numerous rigs during periods of high energy prices and, consequently, the number of rigs available in some of the markets in which we operate has exceeded the demand for rigs for extended periods of time, resulting in intense price competition. Most drilling and workover contracts are awarded on the basis of competitive bids, which also results in price competition. Historically, the drilling service industry has been highly cyclical, with periods of high demand, limited rig supply and high dayrates often followed by periods of low demand, excess rig supply and low dayrates. Periods of low demand and excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. During periods of decreased demand we typically experience significant reductions in dayrates and utilization. The Company, or its competition, may move rigs from one geographic location to

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another location; the cost of which may be substantial. If we experience reductions in dayrates or if we cannot keep our rigs operating, our financial performance will be adversely impacted. Prolonged periods of low utilization and dayrates could result in the recognition of impairment charges on certain of our rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Our international operations are subject to governmental regulation and other risks.

We derive a significant portion of our revenues from our international operations. In 2012, we derived approximately 43 percent of our revenues from operations in countries outside the United States. Our international operations are subject to the following risks, among others:

- political, social and economic instability, war, terrorism and civil disturbances;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- expropriation, confiscatory taxation and nationalization of our assets;
- foreign laws and governmental regulation, including inconsistencies and unexpected changes in laws or regulatory requirements, and changes in interpretations or enforcement of existing laws or regulations;
- increases in governmental royalties;
- import-export quotas or trade barriers;
- hiring and retaining skilled and experienced workers, many of whom are represented by foreign labor unions;
- work stoppages;
- damage to our equipment or violence directed at our employees, including kidnapping;
- piracy of vessels transporting our people or equipment;
- unfavorable changes in foreign monetary and tax policies;
- solicitation by government officials for improper payments or other forms of corruption;
- foreign currency fluctuations and restrictions on currency repatriation;
- repudiation, nullification, modification or renegotiation of contracts; and
- other forms of governmental regulation and economic conditions that are beyond our control.

We currently have operations in 12 countries. Our operations are subject to interruption, suspension and possible expropriation due to terrorism, war, civil disturbances, political and capital instability and similar events, and we have previously suffered loss of revenue and damage to equipment due to political violence. Civil and political disturbances in Syria, Tunisia, Egypt, Libya and other North African countries may affect our operations. During the fourth quarter of 2012 we began the process of moving two rigs out of Algeria and repositioning them for work in other markets. We may not be able to obtain insurance policies covering risks associated with these types of events, especially political violence coverage, and such policies may only be available with premiums that are not commercially justifiable.

Our international operations are subject to the laws and regulations of a number of foreign countries whose political, regulatory and judicial systems and regimes may differ significantly from those in the United States. Our ability to compete in international contract drilling markets may be adversely affected by foreign governmental regulations and/or policies that favor the awarding of contracts to contractors in which nationals of those foreign countries have substantial ownership interests or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, our foreign subsidiaries may face governmentally imposed restrictions or fees from time to time on the transfer of funds to us.

In addition, tax and other laws and regulations in some foreign countries are not always interpreted consistently among local, regional and national authorities, which often results in disputes between us and

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governing authorities. The ultimate outcome of these disputes is never certain, and it is possible that the outcomes could have an adverse effect on our financial performance.

A portion of the workers we employ in our international operations are members of labor unions or otherwise subject to collective bargaining. We may not be able to hire and retain a sufficient number of skilled and experienced workers for wages and other benefits that we believe are commercially reasonable.

We may experience currency exchange losses where revenues are received or expenses are paid in nonconvertible currencies or where we do not take protective measures against exposure to a foreign currency. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Given the international scope of our operations, we are exposed to risks of currency fluctuation and restrictions on currency repatriation. We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts payable in U.S. dollars or freely convertible foreign currency. In addition, some parties with which we do business could require that all or a portion of our revenues be paid in local currencies. Foreign currency fluctuations, therefore, could have a material adverse effect upon our results of operations and financial condition.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments may also impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations can cause delays in shipments and unscheduled operational downtime. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from governmental contracts, seizure of shipments and loss of import and export privileges.

We are not fully insured against all risks associated with our business.

We ordinarily maintain insurance against certain losses and liabilities arising from our operations. However, we do not insure against all operational risks in the course of our business. Due to the high cost, high self-insured retention and limited coverage insurance for windstorms in the GOM we do not purchase windstorm insurance for our inland barges in the GOM. We elected not to purchase such insurance. Although, we have retained the risk for physical loss or damage for these rigs arising from a named windstorm we have procured insurance coverage for removal of a wreck caused by a windstorm. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial position and results of operations.

We are subject to hazards customary for drilling operations, which could adversely affect our financial performance if we are not adequately indemnified or insured.

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of well control, cratering, oil and natural gas well fires and explosions, natural disasters, pollution and mechanical failure. Our offshore operations also are subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather conditions. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage. We have had accidents in the past demonstrating some of these hazards. We may not be able to insure against these risks or to obtain indemnification agreements to adequately protect us against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured or for which we are not indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not continue to be available to cover any or all of these risks. For

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example, pollution, reservoir damage and environmental risks generally are not fully insurable. Even if such insurance is available, insurance premiums or other costs may rise significantly in the future, so to make the cost of such insurance prohibitive. For a description of our indemnification obligations and insurance, please read Item 1. “Business — Insurance and Indemnification.”

Certain areas in and near the GOM are subject to hurricanes and other extreme weather conditions. When operating in and near the GOM, our drilling rigs and rental tools may be located in areas that could cause them to be susceptible to damage or total loss by these storms. In addition, damage caused by high winds and turbulent seas to our rigs, our shore bases and our corporate infrastructure could potentially cause us to curtail operations for significant periods of time until the effects of the damages can be repaired. In addition, our rigs in arctic regions can be affected by seasonal weather so severe, conditions are deemed unsafe to operate in.

Although not a hazard specific to our drilling operations, we could incur significant liability in the event of loss or damage to proprietary data of operators or third parties during our transmission of this valuable data.

Government regulations and environmental risks, which reduce our business opportunities and increase our operating costs, might become more stringent in the future.

Government regulations control and often limit access to potential markets and impose extensive requirements concerning employee privacy and safety, environmental protection, pollution control and remediation of environmental contamination. Environmental regulations, including species protections, prohibit access to some locations and make others less economical, increase equipment and personnel costs, and often impose liability without regard to negligence or fault. In addition, governmental regulations, such as those related to climate change, may discourage our customers’ activities, reducing demand for our products and services. We may be liable for damages resulting from pollution of offshore waters and, under United States regulations, must establish financial responsibility in order to drill offshore. See Part I, Business, “Environmental Considerations.”

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Some scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” (GHGs) and including carbon dioxide and methane, may be contributing to warming of the earth’s atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of GHGs are contributing to climate change are in various phases of discussions or implementation at the international, national, regional and state levels.

In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for GHGs, became binding on the countries that had ratified it. International discussions are underway to develop a treaty to replace the Kyoto Protocol after its expiration in 2020. In the United States, federal legislation imposing restrictions on GHGs is under consideration. In addition, the EPA is taking steps to regulate GHGs as pollutants under the Clean Air Act (the CAA). To date, the EPA has issued (i) a “Mandatory Reporting of Greenhouse Gases” final rule, which establishes a new comprehensive scheme requiring operators of stationary sources (including certain oil and natural gas production systems) in the United States emitting more than established annual thresholds of carbon dioxide-equivalent GHGs to inventory and report their GHG emissions annually; (ii) an “Endangerment Finding” final rule, effective January 14, 2010, which states that current and projected concentrations of six key GHGs in the atmosphere, as well as emissions from new motor vehicles and new motor vehicle engines, threaten public health and welfare, which allowed the EPA to finalize motor vehicle GHG standards (the effect of which could reduce demand for motor fuels refined from crude oil); and (iii) a final rule, effective August 2, 2010, to address permitting of GHG emissions from stationary sources under the CAA’s Prevention of Significant Deterioration (PSD) and Title V programs. This final rule “tailors” the PSD and Title V programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives

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to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and/or result in a disruption of our customers' operations.

We are regularly involved in litigation, some of which may be material.

We are regularly involved in litigation, claims and disputes incidental to our business, which at times may involve claims for significant monetary amounts, some of which would not be covered by insurance. We undertake all reasonable steps to defend ourselves in such lawsuits. Nevertheless, we cannot predict the ultimate outcome of such lawsuits and any resolution which is adverse to us could have a material adverse effect on our financial condition. See Note 13, "Commitments and Contingencies," in Item 8 of this Form 10-K for a discussion of the material legal proceedings affecting us.

The proposed agreement in principle with the Department of Justice and the Securities and Exchange Commission relating to investigations of our possible violations of the Foreign Corrupt Practices Act may not become final in its proposed form and could be materially more adverse to us than currently anticipated.

As previously disclosed, we have engaged in settlement discussions with the United States Department of Justice (DOJ) and the United States Securities and Exchange Commission (SEC) related to parallel investigations that they conducted regarding possible violations of U.S. law, including the Foreign Corrupt Practices Act (FCPA), by us. We have reached an agreement in principle with the DOJ and the staff of the SEC to settle these matters. The agreement in principle is contingent upon the parties' preparation and agreement on the language of the settlement documents, approval of the SEC's civil settlement by its governing Commission and approval by a United States District Court. There can be no assurance that this proposed settlement will be finalized, or finalized on the terms currently agreed in principle, and we cannot provide assurances regarding if and when the court and/or the SEC's governing Commission will approve the settlement.

If one or both of these approvals do not occur, the Company may enter further discussions with the DOJ and/or the SEC to resolve the investigated matters on different terms and conditions; such terms and conditions could include any of a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, which they may seek to impose against corporations and individuals in appropriate circumstances. These include, but are not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. Any such disgorgement, fines, penalties, interest and other associated costs could be materially higher than the amounts that we have currently accrued. The DOJ and the SEC have entered into agreements with, and obtained a range of sanctions against, several public corporations and individuals arising from allegations of improper payments and deficiencies in books and records and internal controls, whereby civil and criminal penalties were imposed. Recent civil and criminal settlements have included multi-million dollar fines, deferred prosecution agreements, guilty pleas, and other sanctions, including the requirement that the relevant corporation retain a monitor to oversee its compliance with the FCPA. In addition, corporations may have to end or modify existing business relationships. The Company could also face fines, sanctions and other penalties imposed by other regulatory authorities or in other legal actions. Any such fines, sanctions or penalties could impact the Company's business operations and assets, particularly in jurisdictions outside the United States, and could have a material adverse impact on our business, results of operations, financial condition and liquidity.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the demand for rental tools.

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, sand and chemicals are injected under pressure into subsurface formations to stimulate natural gas and, to

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a lesser extent, oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. For example, several state governments now require the disclosure of chemicals used in the fracturing process. The U.S. EPA has taken the position that some hydraulic fracturing operations are subject to permitting requirements under the Safe Drinking Water Act; has proposed new air emissions standards that would apply to well completion activities; is developing new standards for wastewater discharges associated with hydraulic fracturing; and has commenced a study on the impacts of hydraulic fracturing on groundwater. The Bureau of Land Management is also in the process of developing regulations for hydraulic fracturing activities that would be unique to federal lands. In addition, some jurisdictions have imposed an express or de facto ban on hydraulic fracturing. These and other developments could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for our rental tools.

A cybersecurity incident could negatively impact our business and our relationships with customers.

If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, or customer data, having our business operations interrupted, and increased costs to prevent, respond to, or mitigate cybersecurity attacks. These risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Risks Related to Our Common Stock

The market price of our common stock has fluctuated significantly.

The market price of our common stock may continue to fluctuate in response to various factors and events, most of which are beyond our control, including the following:

- the other risk factors described in this Form 10-K, including changes in oil and natural gas prices;
- a shortfall in rig utilization, operating revenue or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of the financial performance of us or our competitors or the financial performance of companies in the oilfield service industry generally;
- changes in actual or market expectations with respect to the amounts of exploration and development spending by oil and natural gas companies;
- general conditions in the economy and in energy-related industries;
- general conditions in the securities markets;
- political instability, terrorism or war; and
- the outcome of pending and future legal proceedings, investigations, tax assessments and other claims.

A hostile takeover of our company would be difficult.

Some of the provisions of our Restated Certificate of Incorporation and of the Delaware General Corporation Law may make it difficult for a hostile suitor to acquire control of our company and to replace our incumbent management. For example, our Restated Certificate of Incorporation provides for a staggered Board of Directors and permits the Board of Directors, without stockholder approval, to issue additional shares of common stock or a new series of preferred stock.

Risks Related to our Debt Securities

We may not be able to repurchase our 9.125% Senior Notes upon a change of control.

Upon the occurrence of specific change of control events affecting us, the holders of our 9.125% Senior Notes will have the right to require us to repurchase our notes at 101 percent of their principal amount, plus

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accrued and unpaid interest. Our ability to repurchase our notes upon such a change of control event would be limited by our access to funds at the time of the repurchase and the terms of our other debt agreements. Upon a change of control event, we may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by us under our senior secured credit facilities, our notes and other outstanding indebtedness. The source of funds for these repayments would be our available cash or cash generated from other sources. However, we may not have sufficient funds available upon a change of control to make any required repurchases of this outstanding indebtedness.

In addition, the change of control provisions in the indenture governing our 9.125% Senior Notes may not protect the holders of our notes from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger or other similar transaction, unless such a transaction constitutes a “Change of Control” under the indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change that constitutes a “Change of Control” as defined in the indenture that would trigger our obligation to repurchase the notes. Therefore, if an event occurs that does not constitute a “Change of Control” as defined in the indenture, we will not be required to make an offer to repurchase the notes and the holders may be required to continue to hold their notes despite the event.

The indenture for our 9.125% Senior Notes and our senior secured credit agreement impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions.

The indenture governing our 9.125% Senior Notes and the agreement governing our senior secured credit facility impose significant operating and financial restrictions on us. These restrictions limit our ability to:

- make investments and other restricted payments, including dividends;
- incur additional indebtedness;
- create liens;
- engage in sale leaseback transactions;
- sell our assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

These limitations are subject to a number of important qualifications and exceptions. Our senior secured credit agreement also requires us to maintain ratios for consolidated leverage, consolidated interest coverage and consolidated senior secured leverage. These covenants may adversely affect our ability to finance our future operations and capital needs and to pursue available business opportunities. A breach of any of these covenants could result in a default with respect to the related indebtedness. If a default were to occur, the holders of our 9.125% Senior Notes and the lenders under our senior secured credit facility could elect to declare the indebtedness, together with accrued interest, immediately due and payable. If the repayment of the indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness.

DISCLOSURE NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements contained in this Form 10-K, other than statements of historical facts, are forward-looking statements for purposes of these provisions, including any statements regarding:

- stability of prices and demand for oil and natural gas;
- levels of oil and natural gas exploration and production activities;
- demand for contract drilling and drilling-related services and demand for rental tools;

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- our future operating results and profitability;
- our future rig utilization, dayrates and rental tools activity;
- entering into new, or extending existing, drilling contracts and our expectations concerning when our rigs will commence operations under such contracts;
- growth through acquisitions of companies or assets;
- organic growth of our operations;
- construction or upgrades of rigs and expectations regarding when these rigs will commence operations;
- capital expenditures for acquisition of rigs, construction of new rigs or major upgrades to existing rigs;
- entering into joint venture agreements;
- our future liquidity;
- the outcome of pending or future legal proceedings, investigations, tax assessments and other claims;
- the availability of insurance coverage for pending or future claims;
- the enforceability of contractual indemnification in relation to pending or future claims;
- availability and sources of funds to reduce our debt and expectations of when debt will be reduced; and
- compliance with covenants under our debt agreements.

In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are relevant. Although our management believes that their assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. The following factors, as well as any other cautionary language included in this Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements:

- worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business including Euro country failures and downgrades;
- our inability to access the credit or bond markets;
- U.S credit market volatility resulting from the U.S national debt and potential further downgrades of the U.S. credit rating;
- the U.S. economy and the demand for natural gas;
- low U.S. natural gas prices could adversely affect U.S. drilling and our barge rig and rental tools businesses;
- worldwide demand for oil;
- fluctuations in the market prices of oil and natural gas, including the inability or unwillingness of our customers to fund drilling programs in low price cycles;
- imposition of unanticipated trade restrictions;
- unanticipated operating hazards and uninsured risks;
- political instability, terrorism or war;

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- governmental regulations, including changes in accounting rules or tax laws or ability to remit funds to the U.S., that adversely affect the cost of doing business;
- changes in the tax laws that would allow double taxation on foreign sourced income;
- the outcome, including the finalization of a proposed settlement, related to our investigation and the parallel investigations by the SEC and the DOJ into possible violations of U.S. law, including the FCPA;
- adverse environmental events;
- adverse weather conditions;
- global health concerns;
- changes in the concentration of customer and supplier relationships;
- ability of our customers and suppliers to obtain financing for their operations;
- ability of our customers to fund drilling plans with low commodity prices;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance and equipment certifications;
- shortages of skilled labor;
- unanticipated cancellation of contracts by operators;
- breakdown of equipment;
- other operational problems including delays in start-up or commissioning of rigs;
- changes in competition;
- the effect of litigation and contingencies; and
- other similar factors, some of which are discussed in documents referred to or incorporated by reference into this Form 10-K and our other reports and filings with the SEC.

Each forward-looking statement speaks only as of the date of this Form 10-K, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Before you decide to invest in our securities, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this Form 10-K could have a material adverse effect on our business, results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease corporate headquarters office space in Houston, Texas and own our Rental Tools headquarters office in New Iberia, Louisiana. Additionally, we own and/or lease office space and operating facilities in various locations including facilities where we hold an inventory of rental tools and locations with close proximity to where we provide service to our customers. Additionally, we own and/or lease facilities necessary for administrative and operational support functions.

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Land and Barge Rigs

The following table shows, as of December 31, 2012, the locations and drilling depth ratings of our rigs available for service:

<u>Name</u>	<u>Type (4)</u>	<u>Year entered into service/ upgraded</u>	<u>Drilling depth rating (in feet)</u>	<u>Location</u>
International				
Eastern Hemisphere (1)				
Rig 231	L	1981/1997	13,000	Indonesia
Rig 253	L	1982/1996	15,000	Indonesia
Rig 188	L	1979/2003	18,000	New Zealand
Rig 246	L	1981/1998	18,000	New Zealand
Rig 226	HH	1989/2010	18,000	Papua New Guinea
Rig 264(3)	L	2007	20,000	Algeria
Rig 265(3)	L	2007	20,000	Algeria
Rig 107	L	1983/2009	15,000	Kazakhstan
Rig 216	L	2001/2009	25,000	Kazakhstan
Rig 247	L	1981/2008	18,000	Kazakhstan
Rig 249	L	2000/2009	25,000	Kazakhstan
Rig 257	B	1999/2010	30,000	Kazakhstan
Rig 258	L	2001/2009	25,000	Kazakhstan
Rig 269	L	2008	21,000	Kazakhstan
Latin America				
Rig 268	L	1978/2009	30,000	Colombia
Rig 271	L	1982/2009	30,000	Colombia
Rig 121	L	1980/2007	18,000	Colombia
Rig 53	B	1978/2007	25,000	Mexico
Rig 122	L	1980/2008	18,000	Mexico
Rig 165	L	1978/2007	30,000	Mexico
Rig 221	L	1982/2007	30,000	Mexico
Rig 256	L	1978/2007	25,000	Mexico
Rig 266	L	2008	20,000	Mexico
Rig 267	L	2008	20,000	Mexico
U.S. Land and Barge Drilling(1)(2)				
Rig 8	B	1978/2007	14,000	GOM
Rig 20	B	1981/2007	13,000	GOM
Rig 21	B	1979/2012	14,000	GOM
Rig 12	B	1979/2006	18,000	GOM
Rig 15	B	1978/2007	15,000	GOM
Rig 50	B	1981/2006	20,000	GOM
Rig 51	B	1981/2008	20,000	GOM
Rig 54	B	1980/2006	25,000	GOM
Rig 55(5)	B	1981/2001	25,000	GOM
Rig 72	B	1982/2005	30,000	GOM
Rig 76	B	1977/2009	30,000	GOM
Rig 77	B	2006/2006	30,000	GOM
Rig 270	L	2011	21,000	Louisiana
Rig 273	L	2012	18,000	Alaska

- 1) Excludes five rigs classified for accounting purposes as assets held for sale located in the Eastern Hemisphere as of December 31, 2012, and one rig previously located in GOM, sold in December 2012.
- 2) Excludes Land Rig 272 in Alaska which began drilling in late February.
- 3) These rigs were in the process of relocation out of Algeria at the end of 2012.

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- 4) Type is defined as: L — land rig; B — barge rig; HH — heli-hoist land rig.
- 5) This rig requires additional investment to make it available for service.

The following table presents our utilization rates and rigs available for service for the years ended December 31, 2012 and 2011:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
<u>U.S. Land & Barge Rigs (4)</u>		
U.S. Barge Drilling Rigs		
Rigs available for service (1)	13.0	13.0
Utilization rate of rigs available for service (2)	78%	72%
U.S. Drilling Rigs		
Rigs available for service (1)	1.1	1.0
Utilization rate of rigs available for service (2)	5%	0%
<u>International Land & Barge Rigs</u>		
Eastern Hemisphere Region		
Rigs available for service (1)(3)	15.5	16.0
Utilization rate of rigs available for service (2)	37%	35%
Latin America Region		
Rigs available for service (1)	10.0	10.0
Utilization rate of rigs available for service (2)	67%	70%
Total International Land & Barge Rigs		
Rigs available for service (1)	25.5	26.0
Utilization rate of rigs available for service (2)	49%	48%

- 1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
- 2) Rig utilization rates are based on a weighted average basis assuming 365 days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.
- 3) As of December 31, 2012 five rigs are excluded from the marketable rig count and classified as assets held for sale.
- 4) As of December 31, 2012 the Company has one-new build rig undergoing commissioning and construction completion in Alaska. The rig completed client acceptance testing and began drilling in February 2013. This rig is not included in rigs available for service in the table above.

ITEM 3. LEGAL PROCEEDINGS

For information on Legal Proceedings, see Note 13, Commitments and Contingencies, in the notes to the consolidated financial statements included in Item 8 of this annual report on Form 10-K, which information is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Parker Drilling Company's common stock is listed for trading on the New York Stock Exchange under the symbol "PKD." The following table sets forth the high and low sales prices per share of our common stock, as reported on the New York Stock Exchange composite tape, for the periods indicated:

<u>Quarter</u>	<u>2012</u>		<u>2011</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First	\$7.62	\$5.69	\$7.10	\$3.98
Second	\$6.27	\$4.19	\$7.45	\$5.36
Third	\$4.91	\$4.00	\$6.95	\$4.17
Fourth	\$4.60	\$3.61	\$7.48	\$3.60

Most of our stockholders maintain their shares as beneficial owners in "street name" accounts and are not, individually, stockholders of record. As of February 26, 2013, our common stock was held by 1,634 holders of record and we had an estimated 19,518 beneficial owners.

Our existing senior secured revolving credit agreement and the indenture for the 9.125% Senior Notes restrict the payment of dividends. We have not in the past paid dividends on our common stock and have no present intention to pay dividends on our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The Company currently has no active share repurchase programs. When restricted stock awarded by the Company becomes taxable compensation to personnel, shares may be withheld to satisfy the associated withholding tax liabilities. Information on our purchases of equity securities by means of such share withholdings is provided in the table below:

<u>Period</u>	<u>Issuer Purchases of Equity Securities</u>	
	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>
October 1-31, 2012	52,768	\$ 4.36
November 1-30, 2012	3,527	\$ 4.28
December 1-31, 2012	7,645	\$ 4.34
Total	63,940	\$ 4.35

[Table of Contents](#)**ITEM 6. SELECTED FINANCIAL DATA**

The following table presents selected historical consolidated financial data derived from the audited financial statements of Parker Drilling Company for each of the five years in the period ended December 31, 2012. The following financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes appearing elsewhere in this Form 10-K.

	Year Ended December 31,				
	2012	2011(1)	2010	2009	2008(2)
(Dollars in Thousands, Except Per Share Amounts)					
<u>Income Statement Data</u>					
Total revenues	\$ 677,982	\$ 686,646	\$ 659,475	\$ 752,910	\$ 829,842
Total operating income (loss)	106,823	(42,639)	45,107	39,322	59,180
Equity in loss of unconsolidated joint venture, net of tax	—	—	—	—	(1,105)
Other expense, net	(35,846)	(22,773)	(33,602)	(29,495)	(28,405)
Income tax expense (benefit)	33,879	(14,767)	26,213	560	6,942
Net income (loss)	37,098	(50,645)	(14,708)	9,267	22,728
Net income (loss) attributable to controlling interest	37,313	(50,451)	(14,461)	9,267	22,728
Basic earnings per share:					
Income (loss) from continuing operations	\$ 0.32	\$ (0.43)	\$ (0.13)	\$ 0.08	\$ 0.20
Net income (loss)	\$ 0.32	\$ (0.43)	\$ (0.13)	\$ 0.08	\$ 0.20
Diluted earnings per share:					
Income (loss) from continuing operations	\$ 0.31	\$ (0.43)	\$ (0.13)	\$ 0.08	\$ 0.20
Net income (loss)	\$ 0.31	\$ (0.43)	\$ (0.13)	\$ 0.08	\$ 0.20
<u>Balance Sheet Data</u>					
Cash and cash equivalents	\$ 87,886	\$ 97,869	\$ 51,431	\$ 108,803	\$ 172,298
Property, plant and equipment, net	786,158	719,809	816,147	716,798	675,548
Assets held for sale	11,550	5,315	5,287	—	—
Total assets	1,255,733	1,216,246	1,274,555	1,243,086	1,205,720
Total long-term debt including current portion of long-term debt	479,205	482,723	472,862	423,831	441,394
Total equity	590,633	544,050	588,066	595,899	582,172

- 1) The 2011 results reflect a \$170.0 million (\$109.1 million, net of taxes of \$60.9 million) non-cash pretax impairment charge related to our two AADUs located in Alaska. See Note 2 to the Consolidated Financial Statements in Item 8 of this Form 10-K.
- 2) The 2008 results reflect a \$100.3 million non-cash pretax charge for impairment of goodwill.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW AND OUTLOOK

Overview

We made significant progress in 2012 on several important projects aimed at improving the competitive position of some of our key operations, while sustaining our operating performance under challenging market conditions.

By mid-year 2012, we had achieved significant growth in revenues and earnings, with contributions from our domestic drilling, rental tools, and international drilling operations. This was primarily driven by the expansion of drilling activity in the U.S. land and GOM markets and steady and uninterrupted work for the portion of our international rig fleet that was under contract. During the second half of the year, drilling activity in the U.S. land and GOM markets underwent a slow and steady decline. This led to reduced demand and increased competitive conditions for our rental tools and barge drilling businesses. At the same time, international and local operators reduced their drilling programs in several of the international markets we serve, providing fewer opportunities to maintain our rig fleet utilization.

As we worked on operational responses to the changes in market conditions, we also were focused on completing or progressing several projects that are important to our future success. Included among these were: completing construction of our new AADU rigs, initiating the repositioning of our international rig fleet for more sustainable and profitable performance, and maximizing the organic growth opportunities of our rental tools business.

- By year-end 2012, we had successfully commissioned Rig 273, the first of our two AADU rigs developed to safely and efficiently perform in environmentally sensitive, harsh arctic environments. Rig 273 commenced operating in mid-December. Our second rig completed client acceptance testing and began drilling in February 2013. Both AADU rigs are expected to be cash flow contributors during 2013. The successful development of the AADU rigs marks an important milestone in our history of supporting responsible arctic drilling through innovative technologies and reliable performance. We believe this level of arctic expertise is unique in our industry and are committed to leveraging this knowledge to benefit our clients going forward.
- Actions to achieve sustainable improvement in our international drilling rig fleet utilization continued throughout 2012. Of particular focus was the group of nine rigs serving the Kazakhstan market. At one point in 2012, only two of those rigs were under contract. By year-end, three rigs were under contract in Kazakhstan, a contract for a fourth rig to work in Kazakhstan was being negotiated, and several rigs were under consideration for work in other markets. In February, 2013, we contracted two of the rigs in Kazakhstan for work in the Kurdistan region of Iraq and began preparing them for mobilization.
- Our efforts to improve overall fleet utilization included consideration of the strategic value of the geographic position of all our rigs. During 2012, we undertook the relocation of our rigs in North Africa, moving our two rigs out of Algeria to reposition them for work other markets. In addition, we worked to expand our business opportunities in the Latin America region, a key market we believe can provide long-term profitable growth.
- In 2012, we continued to make investments in our Rental Tools segment. This included purchases of drill pipe and related products to meet the increased demand for drilling activity in several oil and natural gas liquids-rich plays in the U.S. land market, and building our capacity to participate in the growing GOM offshore drilling market by purchasing more of the tubular products unique to that market. We invested \$62.0 million of capital in the rental tools business in 2012, most of which was for new equipment to serve these two opportunities.

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Other achievements in 2012 that contributed to our results and are expected to have an impact on future performance were:

- We continued to hold the lead position in the U.S. GOM barge drilling market, measured by barge drilling rigs working. According to industry compiled information, over 62 percent of all wells drilled by barge rigs in the inland waters of the GOM during 2012 were drilled by Parker rigs.
- We continued our involvement in the development of the ENL Berkut platform, providing construction oversight of the drilling package during the platform's shipyard construction phase, with expectation that the rig will move to Sakhalin Island, Russia for operations.

Outlook

Our markets are highly cyclical, driven by, among other things, our customers' responses to price trends in oil and natural gas, the level of energy exploration and resource development spending (E&P spending) in the domestic and international markets in which we operate, and technological advancements in energy exploration and production. We expect oil and natural gas prices to remain near current levels or improve modestly in 2013. Recent industry surveys project worldwide E&P spending to rise, with the greatest increases in offshore exploration and development and the Middle East land market. Meanwhile, enhanced production in the U.S. of oil natural gas liquids and natural gas, brought about by the technological advancements accompanying the application of horizontal drilling and hydraulic fracturing, is expected to lead to continued drilling activity in the U.S. land market.

Based on recent market trends, competitive conditions and the state of our operations, we anticipate to see improvements in operating results as the year progresses. The growing level of drilling activity in the deep water U.S. GOM should provide expanding business opportunities for our rental tools operations that will offset some of the impact of slowing activity and more competitive conditions in the U.S. land drilling market. We expect to continue to lead in the GOM barge drilling market and to use our performance-driven customer focus to maintain strong utilization and dayrates.

Our two AADU rigs are operating under contract on the Alaskan North Slope and they are projected to generate reliable cash flow during the year. We have been transforming our international drilling activities, focused both on enhancing the deployment of the assets we have in the field and on leveraging our drilling expertise through O&M contracts. As we execute this transformation and develop opportunities to employ our international rig fleet further repositioning of rigs may lead to uneven operating results. As we make progress in expanding our contract drilling business, we expect the contribution to Parker's results to improve.

RESULTS OF OPERATIONS

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

Revenues of \$678.0 million for the year ended December 31, 2012 decreased \$8.7 million, or 1.3%, from the comparable 2011 period. The years ended December 31, 2012 and 2011 included construction contract revenues of zero and \$9.6 million, respectively, for the Liberty rig construction project that was suspended by BP in November 2010. Excluding that individual project, revenues from ongoing operations for the year ended December 31, 2012 would have been approximately the same as in 2011. Operating gross margin, including depreciation and amortization decreased 3.5% to \$150.9 million for the year ended December 31, 2012 as compared to \$156.4 million for the year ended December 31, 2011.

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The following is an analysis of our operating results for the comparable periods:

	Year Ended December 31,			
	2012		2011	
	(Dollars in Thousands)			
Revenues:				
Rental Tools	\$ 246,900	36%	\$ 237,068	35%
U.S. Barge Drilling	123,672	18%	93,763	14%
U.S. Drilling	1,387	1%	—	0%
International Drilling	291,772	43%	318,482	46%
Technical Services	14,251	2%	27,695	4%
Construction Contract	—	0%	9,638	1%
Total revenues	<u>677,982</u>	<u>100%</u>	<u>686,646</u>	<u>100%</u>
Operating gross margin:				
Rental Tools gross margin excluding depreciation and amortization	158,016	64%	162,577	69%
U.S Barge Drilling gross margin excluding depreciation and amortization	54,267	44%	28,620	31%
U.S. Drilling gross margin excluding depreciation and amortization	(8,151)	n/a	(1,692)	n/a
International Drilling gross margin excluding depreciation and amortization	59,995	21%	72,891	23%
Technical Services gross margin	(209)	n/a	5,335	19%
Construction Contract gross margin	—	n/a	771	8%
Total operating gross margin excluding depreciation and amortization	<u>263,918</u>	<u>39%</u>	<u>268,502</u>	<u>39%</u>
Depreciation and amortization	<u>(113,017)</u>		<u>(112,136)</u>	
Total operating gross margin	150,901		156,366	
General and administrative expense	(46,052)		(31,314)	
Impairments and other charges	—		(170,000)	
Provision for reduction in carrying value of certain assets	—		(1,350)	
Gain on disposition of assets, net	1,974		3,659	
Total operating income	<u>\$ 106,823</u>		<u>\$ (42,639)</u>	

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Operating gross margins, excluding depreciation and amortization, are computed as revenues less direct operating expenses, excluding depreciation and amortization expense, where applicable; operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under generally accepted accounting principles in the U.S. (U.S. GAAP). However, we monitor our business segments based on several criteria, including operating gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

	Rental Tools	U.S. Barge Drilling	U.S. Drilling	International Drilling	Technical Services	Construction Contract(2)
	(Dollars in Thousands)					
Year Ended December 31, 2012						
Operating gross margin(1)	\$113,899	\$ 39,774	\$(15,168)	\$ 12,642	\$ (246)	\$ —
Depreciation and amortization	44,117	14,493	7,017	47,353	37	—
Operating gross margin excluding depreciation and amortization	<u>\$158,016</u>	<u>\$ 54,267</u>	<u>\$ (8,151)</u>	<u>\$ 59,995</u>	<u>\$ (209)</u>	<u>\$ —</u>
Year Ended December 31, 2011						
Operating gross margin(1)	\$120,822	\$ 11,116	\$ (3,915)	\$ 22,237	\$ 5,335	\$ 771
Depreciation and amortization	41,755	17,504	2,223	50,654	—	—
Operating gross margin excluding depreciation and amortization	<u>\$162,577</u>	<u>\$ 28,620</u>	<u>\$ (1,692)</u>	<u>\$ 72,891</u>	<u>\$ 5,335</u>	<u>\$ 771</u>

- (1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- (2) The Construction Contract segment does not incur depreciation and amortization.

Operations

Rental Tools

Rental Tools segment revenues increased \$9.8 million, or 4.1%, to \$246.9 million for the year ended December 31, 2012 compared to revenues for the year ended December 31, 2011. The increase is primarily due to an increase in rentals to offshore GOM customers and greater tool sales and repair revenues. This was partially offset by the impact of soft U.S. natural gas prices that led to reduced demand from the U.S. land drilling market and lower rental tools utilization in key operating areas.

Rental Tools segment operating gross margin, excluding depreciation and amortization, decreased by \$4.6 million, or 2.8%, for the year ended December 31, 2012 compared with operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2011, primarily due to increased price competition in key U.S. land drilling markets, and the impact of an increase in lower-margin tools sales and repair revenues.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased \$29.9 million, or 31.9%, to \$123.7 million for the year ended December 31, 2012, compared with revenues for the year ended December 31, 2011. The increase in revenues was primarily due to an increase in rig fleet utilization and overall higher average dayrates for 2012. Both of these factors reflect a general increase in overall drilling activity in the U.S. GOM shallow water drilling market. Additionally, our dayrates benefit from our ability to renegotiate day rates during multi-well contracts based on our ability to deliver higher levels of performance.

U.S. Barge Drilling segment operating gross margin, excluding depreciation and amortization, increased \$25.6 million or 89.6% to \$54.3 million for the year ended December 31, 2012, compared with segment

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operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2011. This increase is primarily a result of overall improved rig fleet utilization and average dayrates and the continued control of operating costs.

U.S. Drilling

U.S. Drilling segment began generating revenue in early December 2012 as the first of the two AADU rigs commenced drilling operations. The second rig completed client acceptance testing and began drilling in February 2013. Revenues were \$1.4 million and zero for the years ended December 31, 2012 and 2011, respectively. The introduction of these rigs to the Alaskan North Slope is expected to improve drilling efficiency, operating consistency and safety in this remote and challenging environment.

U.S. Drilling segment operating gross margin, excluding depreciation and amortization, was a loss of \$8.2 million and \$1.7 million for the years ended December 31, 2012 and 2011, respectively. Operating expenses include start-up costs associated with re-entering the Alaskan market, such as salaries and employee hiring-related expenditures, training and rental of facilities in Alaska to support our operations. Additionally, early in the third quarter of 2012 we began incurring depreciation expense and ceased capitalizing interest costs related to one of the rigs when it was presented to the customer to begin the acceptance testing process.

International Drilling

International Drilling segment revenues decreased \$26.7 million, or 8.4%, to \$291.8 million for the year ended December 31, 2012, compared with the year ended December 31, 2011. The lower revenues are primarily due to a decrease in revenue generated by our O&M contracts and a decline in our drilling revenues generated through the operation of rigs that we own.

O&M revenues decreased to \$108.3 million, or 14.7% for the year ended December 31, 2012 compared to \$127.0 million for the year ended December 31, 2011. The decrease in revenues was primarily due to the completion in 2011 of a drilling rig relocation project in Sakhalin Island, Russia and lower rates associated with our services contracts in Sakhalin Island. This was partially offset by increased operating and reimbursable revenues associated with the Orlan platform contract as it moved from warm-stack mode to fully-operational mode during 2012, the benefits of a new one-rig service contract in China, and the operation during much of 2012 of a customer-owned rig in Papua New Guinea. O&M projects included \$31.3 million and \$51.9 million of reimbursable costs for the years ended December 31, 2012 and 2011. Reimbursable costs add to revenues but have little direct impact on operating margins.

Revenues related to Parker-owned rigs decreased to \$183.5 million or 4.2% for the year ended December 31, 2012 compared with \$191.5 million for the year ended December 31, 2011. Revenues declined in the Eastern Hemisphere region primarily due to lower utilization of our arctic-class barge rig in the Caspian Sea and reduced dayrates on our rig in Papua New Guinea. The decrease was partially offset by increased revenues in Algeria as a result of the mobilization and start-up of two rigs during 2012 and a contribution from demobilization fees in the Latin America region as two rigs completed work during the year.

International Drilling operating gross margin, excluding depreciation and amortization, decreased \$12.9 million, or 17.7%, to \$60.0 million for the year ended December 31, 2012, compared with \$72.9 million for the year ended December 31, 2011. The decrease in operating gross margin for the year ended December 31, 2012 was due to decreased margins for both our O&M operations and our Parker-owned rig operations. Operating margins generated by our O&M operations were \$20.7 million and \$25.3 million for the years ended December 31, 2012 and 2011, respectively. The decrease is primarily due to a decrease in handling fees associated with lower reimbursable costs charged back to customers and lower project management fees related to the drilling rig relocation project in Sakhalin Island, Russia that was completed prior to December 31, 2011 and lower rates associated with our service contracts in Sakhalin Island as we transitioned from higher value operating contracts to cost-plus contracts during 2012. This was partially offset by the gross margins associated with the Orlan platform contract as it moved from warm-stack mode to fully-operational mode during 2012 and the benefits of a new one-rig service contract in China.

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Our margins related to Parker-owned rigs were \$39.2 million and \$47.6 million for the years ended December 31, 2012 and 2011, respectively. The decrease in operating gross margins was primarily the result of lower rig utilization related to our arctic-class barge rig in the Caspian Sea and a non-cash charge to reserve certain value-added tax assets resulting from a strategic decision to move two rigs out of the Kazakhstan market. Partially offsetting this decrease were increased operating gross margins resulting from the start-up of two rigs in Algeria during 2012 and increased utilization and demobilization revenues with minimal demobilization costs in Latin America. In addition, results for 2011 included \$1.9 million of expense related to equity tax assessments in Latin America.

Technical Services

Technical Services segment revenues decreased \$13.4 million, or 48.5%, to \$14.3 million for the year ended December 31, 2012, compared with \$27.7 million for the year ended December 31, 2011. This decrease was primarily due to expiration of the “pre-operations” phase of the Liberty project at the end of the second quarter of 2011 and the transition of the Berkut platform project from its engineering phase to a less revenue-intensive construction oversight and assistance phase. Also contributing to the decrease was the completion of a pre-FEED project at the end of the second quarter of 2012.

Operating gross margin for this segment decreased by \$5.5 million to a loss of \$0.2 million for the year ended December 31, 2012, compared with the year ended December 31, 2011. The decrease in operating gross margin was primarily due to the completion of a pre-FEED project at the end of the second quarter of 2012, the transition of the Berkut platform project into a less revenue-intensive construction oversight and assistance phase, and the costs to retain technical capabilities as we transition between projects. The Technical Services segment incurs minimal depreciation and amortization primarily related to office furniture and fixtures.

Construction Contract

This segment includes only the Liberty extended-reach drilling rig construction project. Construction Contract segment revenues were zero for the year ended December 31, 2012 compared with \$9.6 million for the year ended December 31, 2011. This segment reported zero and \$0.8 million operating gross margin for the years ended December 31, 2012 and December 31, 2011, respectively. The operating gross margin generated during the year ended December 31, 2011 resulted from the preliminary close-out of the Liberty project and recognition of final percentage of completion revenues. The Construction Contract segment does not incur depreciation and amortization.

The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011, we had recognized \$335.5 million in project-to-date revenues. Over the life of the contract, we recognized \$11.7 million of margin on the contract.

For more information about the Liberty project, see Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations — Other Matters — “Liberty Project Status.”

Other Financial Data

During the fourth quarter of 2011 we recorded a non-cash pre-tax impairment charge of \$170.0 million (\$109.1 million, net of taxes of \$60.9 million) to adjust our AADU rigs to their fair value from the existing net book value (see Note 2 to the Consolidated Financial Statements). In 2011, we recognized a \$1.4 million reduction in carrying value of assets related to a final settlement of a customer bankruptcy matter as it was deemed that the Company’s rights to mineral reserves no longer supported the outstanding receivable.

Gain on asset dispositions for the year ended December 31, 2012 and 2011 was \$2.0 million and \$3.7 million, respectively. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest expense increased \$10.9 million for the year ended December 31, 2012 compared with the year ended December 31, 2011. The increase primarily resulted from a \$5.2 million increase in interest on the additional \$125.0 million of 9.125% Notes, which have a higher interest rate than our 2.125% Notes that were

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repaid during 2012, and a \$9.0 million decrease in interest capitalized on major projects, resulting from a reduction in the value of the AADU rigs following the impairment charge recorded during the fourth quarter of 2011 and the placement of one of the AADU rigs into service during the third quarter of 2012. The net increase was partially offset by a decrease in amortization of the debt discount on the 2.125% Notes as they were tendered or matured during 2012 and amortization of the debt premium related to the additional \$125.0 million of 9.125% Notes. Interest income was \$0.2 million and \$0.3 million for the years ended December 31, 2012 and 2011, respectively.

Loss on extinguishment of debt of \$2.1 million resulted from the repurchase prior to maturity of \$122.9 million of the 2.125% Notes pursuant to a tender offer on May 9, 2012 and the write-off of debt issuance costs related to refinancing our Credit Facility in December 2012. The loss included a \$0.4 million premium paid to repurchase the 2.125% Notes prior to maturity, \$1.4 million accelerated amortization of the related debt discount and debt issuance costs of the 2.125% Notes, and \$0.3 million accelerated amortization of the debt issuance costs related to our Credit Facility.

General and administration expense increased \$14.7 million for the year ended December 31, 2012, compared with general and administrative expense for the year ended December 31, 2011. The general and administrative cost increase was due primarily to a proposed settlement with the DOJ and SEC recorded during the fourth quarter of 2012, offset by a decrease in legal fees associated with the related SEC and DOJ investigations (see further discussion in Note 13 in the Notes to the Company's financial statements).

Income tax expense was \$33.9 million for the year ended December 31, 2012, compared with an income tax benefit of \$14.8 million for the year ended December 31, 2011. The 2012 tax expense was primarily due to the mix of our domestic and international pretax earnings and losses, the mix of international tax jurisdictions in which we operate, and adjustments related to the settlement of our examination with the U.S. Internal Revenue Service for tax periods through 2010 including carryover adjustments impacting the 2011 period. The 2011 period tax benefit is driven primarily by the \$170.0 million non-cash pretax charge for our AADU rigs in Alaska resulting in a \$60.9 million federal and state tax benefit, offset by operating income (excluding the impairment), differences in the mix of our domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which we operate. Included in tax expense for the year ended December 31, 2012 is an expense of \$1.5 million related to an uncertain tax position and a benefit of \$7.0 million related to the effective settlement of uncertain tax positions.

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Revenues of \$686.6 million for the year ended December 31, 2011 increased \$27.2 million, or 4.1%, from the comparable 2010 period. The years ended December 31, 2011 and 2010 included construction contract revenues of \$9.6 million and \$91.1 million, respectively, for the Liberty rig construction project. Excluding that individual project, revenues for the year ended December 31, 2011 would have been \$108.6 million or 19.1%, higher than 2010 from ongoing operations. Operating gross margin including depreciation and amortization increased 113.7% to \$156.4 million for the year ended December 31, 2011 as compared to \$73.2 million for the year ended December 31, 2010. We recorded a net loss attributable to controlling interest of \$50.5 million for the year ended December 31, 2011, as compared to a net loss of \$14.5 million for the year ended December 31, 2010. During the fourth quarter of 2011 we recorded a non-cash pre-tax impairment charge of \$170.0 million (\$109.1 million, net of taxes of \$60.9 million) to adjust our AADU rigs to their fair value from the existing net book value (see Note 2 to the Consolidated Financial Statements). Excluding this non-cash charge, net income attributable to controlling interest for the year ended December 31, 2011 would have been \$58.7 million.

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The following is an analysis of our operating results for the comparable periods:

	Year Ended December 31,			
	2011		2010	
	(Dollars in Thousands)			
Revenues:				
Rental Tools	\$ 237,068	35%	\$ 172,598	26%
U.S. Barge Drilling	93,763	14%	64,543	10%
U.S. Drilling	—	0%	—	0%
International Drilling	318,482	46%	294,821	45%
Technical Services	27,695	4%	36,423	5%
Construction Contract	9,638	1%	91,090	14%
Total revenues	<u>686,646</u>	<u>100%</u>	<u>659,475</u>	<u>100%</u>
Operating gross margin:				
Rental Tools gross margin excluding depreciation and amortization	162,577	69%	112,562	65%
U.S Barge Drilling gross margin excluding depreciation and amortization	28,620	31%	11,209	17%
U.S. Drilling gross margin excluding depreciation and amortization	(1,692)	n/a	(217)	n/a
International Drilling gross margin excluding depreciation and amortization	72,891	23%	59,389	20%
Technical Services gross margin	5,335	19%	5,052	14%
Construction Contract gross margin	771	8%	202	0%
Total operating gross margin excluding depreciation and amortization	268,502	39%	188,197	29%
Depreciation and amortization	(112,136)		(115,030)	
Total operating gross margin	156,366		73,167	
General and administrative expense	(31,314)		(30,728)	
Impairments and other charges	(170,000)		—	
Provision for reduction in carrying value of certain assets	(1,350)		(1,952)	
Gain on disposition of assets, net	3,659		4,620	
Total operating income	<u>\$ (42,639)</u>		<u>\$ 45,107</u>	

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Segment gross margins, excluding depreciation and amortization, are computed as revenues less direct operating expenses, and less depreciation and amortization expense, where applicable; segment operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under U.S. GAAP. However, we monitor our business segments based on several criteria, including operating gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

	Rental Tools	U.S. Barge Drilling	U.S. Drilling	International Drilling	Technical Services(2)	Construction Contract(2)
(Dollars in Thousands)						
Year Ended December 31, 2011						
Operating gross margin(1)	\$120,822	\$ 11,116	\$ (3,915)	\$ 22,237	\$ 5,335	\$ 771
Depreciation and amortization	41,755	17,504	2,223	50,654	—	—
Operating gross margin excluding depreciation and amortization	<u>\$162,577</u>	<u>\$ 28,620</u>	<u>\$ (1,692)</u>	<u>\$ 72,891</u>	<u>\$ 5,335</u>	<u>\$ 771</u>
Year Ended December 31, 2010						
Operating gross margin(1)	\$ 74,541	\$(11,503)	\$ (217)	\$ 5,092	\$ 5,052	\$ 202
Depreciation and amortization	38,021	22,712	—	54,297	—	—
Operating gross margin excluding depreciation and amortization	<u>\$112,562</u>	<u>\$ 11,209</u>	<u>\$ (217)</u>	<u>\$ 59,389</u>	<u>\$ 5,052</u>	<u>\$ 202</u>

- (1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- (2) The Technical Services segment and the Construction Contract segment do not incur depreciation and amortization.

Operations

Rental Tools

Rental Tools segment revenues increased \$64.5 million, or 37.4%, to \$237.1 million for the year ended December 31, 2011 compared to revenues for the year ended December 31, 2010. The increase was primarily due to the growth in demand for rental tools, higher utilization of our rental tools inventory and better pricing. The growing use of lateral drilling and longer well-bores to exploit both shale deposits and conventional oil and natural gas reservoirs continued to lead to greater demand for rental tools. Our 2011 investments in rental tools inventory of approximately \$61.5 million expanded our ability to serve this growing demand.

Rental Tools segment operating gross margin, excluding depreciation and amortization, increased by \$50.0 million, or 44.4%, for the year ended December 31, 2011 compared with operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2010, primarily due to higher revenues and the ability to leverage costs across the increased revenue stream.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased \$29.2 million, or 45.3%, to \$93.8 million for the year ended December 31, 2011, compared with revenues for the year ended December 31, 2010. The increase in revenues was primarily due to higher rig fleet utilization and a higher average dayrate for 2011. The market's continued shift to more oil-focused drilling supported the demand for drilling throughout the year.

U.S. Barge Drilling segment operating gross margin, excluding depreciation and amortization, increased \$17.4 million or 155.3% to \$28.6 million for the year ended December 31, 2011, compared with segment operating gross margin, excluding depreciation and amortization, for the year ended December 31, 2010. The increase reflects the impact of improved utilization and the continued control of operating costs.

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U.S. Drilling

As of December 31, 2011, the U.S. Drilling segment had not begun generating revenue. We re-entered the Alaska drilling market in late 2012 with two new-design land rigs intended to deliver improved drilling efficiency, operating consistency and safety to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope. Operating gross margin, excluding depreciation and amortization, was a loss of \$1.7 million and \$0.2 million for the years ended December 31, 2011 and 2010, respectively, and includes expenditures associated with re-entering the Alaskan market. The start-up costs include salaries and employee hiring-related expenditures, training and rental of facilities in Alaska to support our operations.

International Drilling

International Drilling segment revenues increased \$23.7 million, or 8.0%, to \$318.5 million for the year ended December 31, 2011, compared with the year ended December 31, 2010. The higher revenues were primarily due to an increase in revenue generated by our O&M contracts offset by a decline in our drilling revenues generated through the operation of rigs that we own.

O&M revenues increased to \$127.0 million, or 70.5% for the year ended December 31, 2011 compared to \$74.5 million for the year ended December 31, 2010. The increase in revenues generated through our O&M contracts was primarily due to a drilling rig relocation project which began during the fourth quarter of 2010 and a shipyard refurbishment and operations project which began during the first quarter of 2011. The projects included approximately \$50.3 million of reimbursable costs for the year ended December 31, 2011, which added to revenues but have little direct impact on operating margins. The increase in O&M revenues was partially offset by a lower average dayrate associated with our services on the Orlan Platform in Sakhalin Island, Russia as the rig was in warm stack mode in 2011 compared with workover mode in 2010.

Revenues related to Parker-owned rigs decreased to \$191.5 million or 13.1% for the year ended December 31, 2011 compared to \$220.4 million for the year ended December 31, 2010. Revenues declined in the Eastern Hemisphere operations due to reduced average utilization and lower reimbursable revenues, partially offset by a higher average dayrate for our rigs in this region. The decrease in revenues in the Latin America operations was primarily due to reduced average utilization and lower reimbursables partially offset by higher average dayrates for rigs in certain locations in this region.

International Drilling operating gross margin, excluding depreciation and amortization, increased \$13.5 million, or 22.7%, to \$72.9 million for the year ended December 31, 2011, compared with \$59.4 million for the year ended December 31, 2010. The increase in operating gross margin for the year ended December 31, 2011 was due to increased margins for our O&M operations in addition to increased margins for our Parker-owned rig operations. Operating margins generated by our O&M operations were \$25.3 million and \$16.6 million for the years ended December 31, 2011 and 2010, respectively. The increase was primarily due to the Yastreb drilling rig move and the Coral Sea refurbishment program. Our margins related to Parker-owned rigs were \$47.6 million and \$42.8 million for the years ended December 31, 2011 and 2010, respectively. The increase was due to the inclusion in 2010 of \$6.4 million of expense related to a non-cash charge to write-off certain value added tax (VAT) assets and expense for property tax assessments and other tax matters. In addition to the impacts from lower utilization and higher average dayrates in both the Eastern Hemisphere and Latin American regions, we achieved benefits from lower labor costs in our operations in the Eastern Hemisphere region. The increase in operating margins was partially offset by a \$2.3 million non-cash charge to write-off certain VAT assets and the recording of expenses related to the estimated salvage cost of a barge rig that was stranded in Nigeria. We have no ongoing operations in Nigeria.

Technical Services

Technical Services segment revenues decreased \$8.7 million, or 24.0%, to \$27.7 million for the year ended December 31, 2011, compared with \$36.4 million for the year ended December 31, 2010. This decrease was primarily due to the transition of the Berkut platform project from its engineering phase to a less revenue-intensive construction oversight phase and the expiration at the end of the second quarter of 2011 of the "pre-operations" phase of the Liberty rig contract. This was partially offset by revenues related to two front-end engineering projects that are in the early development stages.

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Operating gross margin for this segment increased by \$0.3 million, or 5.6%, to \$5.3 million for the year ended December 31, 2011, compared with the year ended December 31, 2010. The increase in operating gross margin was primarily due to revenues related to two front-end engineering projects that are in the early development stages and an increase in operating margin on the Liberty project resulting from increased margin for resources contracted to BP to support and maintain the Liberty rig. This was partially offset by a decrease due to the transition in the work content of the Berkut platform project. The Technical Services segment does not incur depreciation and amortization.

Construction Contract

This segment includes only the Liberty extended-reach drilling rig construction project for use in the Alaskan Beaufort Sea. Construction Contract segment revenues were \$9.6 million for the year ended December 31, 2011 compared with \$91.1 million for the year ended December 31, 2010. This segment reported \$0.8 million operating gross margin for the year ended December 31, 2011 resulting from preliminary close-out of the Liberty project and recognition of final percentage of completion revenues. The segment reported a \$0.2 million operating gross margin for the year ended December 31, 2010 due to an increase in total estimated construction costs and a longer construction period. The Construction Contract segment does not incur depreciation and amortization.

The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011 and 2010, we had recognized \$335.5 million and \$325.9 million in project-to-date revenues, respectively. Over the life of the contract we recognized \$11.7 million margin on the contract.

For more information about the Liberty project, see Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations — Other Matters — “Liberty Project Status.”

Other Financial Data

During 2011 we recorded a provision for reduction in the carrying value of assets of \$1.4 million related to a final settlement of a customer bankruptcy proceeding. In 2010, the Company recognized a \$2.0 million provision for reduction in carrying value related to this same bankruptcy matter as it was deemed that the Company’s rights to mineral reserves no longer supported the outstanding receivable.

Gain on asset dispositions for the year ended December 31, 2011 and 2010 was \$3.7 million and \$4.6 million, respectively, and resulted from the sale of equipment deemed to be excess or not currently required for operations.

Interest expense decreased \$4.2 million for the year ended December 31, 2011 compared with the year ended December 31, 2010, due to a \$5.8 million increase in capitalized interest on major projects (primarily the two rigs being built in Alaska) which reduced overall interest expense. This was partially offset by a \$0.9 million increase in debt-related interest expense and \$0.7 million increase in debt amortization costs. Interest income was \$0.3 million for each of the years ended December 31, 2011 and 2010.

General and administration expense increased \$0.6 million for the year ended December 31, 2011, compared with general and administrative expense for the year ended December 31, 2010. The general and administrative cost increase was due primarily to an increase in legal expenses and salaries and wages, partially offset by a decrease in professional and consulting fees and other corporate administrative expenses.

Income tax benefit was \$14.8 million for the year ended December 31, 2011, compared with income tax expense of \$26.2 million for the year ended December 31, 2010. The 2011 period tax benefit was driven primarily by the \$170.0 million non-cash pretax charge for our AADU rigs in Alaska resulting in a \$60.9 million federal and state tax benefit, offset by operating income (excluding the impairment), differences in the mix of our domestic and international pretax earnings and losses, as well as the mix of international tax jurisdictions in which we operate. Included in tax benefit for the year ended December 31, 2011 was an expense of \$0.8 million related to an uncertain tax position and a benefit of \$0.8 million related to the effective settlement of an uncertain tax position.

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LIQUIDITY AND CAPITAL RESOURCES

We periodically evaluate our liability requirements, capital needs and availability of resources in view of expansion plans, debt service requirements, and other operational cash needs. To meet our short and long term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. However, we have recently, as well as in the past, sought, and may in the future seek, to raise additional capital. We expect that, for the foreseeable future, cash generated from operations will be sufficient to provide us the ability to fund our operations, provide the working capital necessary to support our strategy, and fund planned capital expenditures.

We amended and restated our Credit Agreement on December 14, 2012, extending the maturity date to December 2017. The \$50.0 million Term Loan borrowed under the facility amortizes at \$2.5 million per quarter beginning with the first payment due on March 31, 2013, thus \$10.0 million is classified as a current obligation on our consolidated balance sheet at December 31, 2012. As a result of amending and extending the Credit Agreement, we recorded debt extinguishment costs of \$0.4 million during the twelve months ended December 31, 2012. Based on the current amortization schedule, we believe we could repay the Term Loan over the remaining term of the Credit Agreement utilizing existing cash and cash generated from operations.

On April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of our existing 9.125% Notes at a price of 104.0% of par, resulting in gross proceeds of \$130.0 million. Substantially all of the net proceeds from the offering of \$124.1 million were utilized to repurchase \$122.9 million aggregate principal amount of 2.125% Notes pursuant to a tender offer on May 9, 2012. The tender offer price was \$1,003.27 for each \$1,000 principal amount of 2.125% Notes, plus accrued and unpaid interest. As a result of the repurchase, we recorded debt extinguishment costs of \$1.8 million during the twelve months ended December 31, 2012. The \$2.1 million aggregate principal amount of remaining non-tendered 2.125% Notes were paid off at their stated maturity on July 15, 2012.

Liquidity

As of December 31, 2012, we had cash and cash equivalents of \$87.9 million, a decrease of \$10.0 million from December 31, 2011. The following table provides a summary for the last three years:

	2012	2011	2010
	(Dollars in thousands)		
Operating Activities	\$ 189,699	\$ 225,885	\$ 123,550
Investing Activities	(187,606)	(184,614)	(212,709)
Financing Activities	(12,076)	5,167	31,787
Net change in cash and cash equivalents	\$ (9,983)	\$ 46,438	\$ (57,372)

Operating Activities

Cash flows from operating activities were \$189.7 million in 2012, compared with \$225.9 million in 2011. Before changes in operating assets and liabilities, cash from operating activities was impacted primarily by net income of \$37.1 million plus non-cash charges of \$151.6 million. Non-cash charges primarily consisted of \$113.0 million of depreciation expense and deferred tax benefit of \$15.8 million. Net changes in operating assets and liabilities provided \$1.0 million and \$32.2 million of cash in 2012 and 2011 respectively.

Cash flows from operating activities were \$225.9 million in 2011, compared with \$123.6 million in 2010. Before changes in operating assets and liabilities, cash from operating activities was impacted primarily by a net loss of \$50.6 million plus non-cash charges of \$244.3 million. Non-cash charges primarily consisted of the impairment charge of \$170.0 million and \$112.1 million of depreciation expense, partially offset by deferred tax expense of \$48.4 million. Net changes in operating assets and liabilities provided \$32.2 million of cash in 2011, compared to \$5.2 million provided in 2010.

Investing Activities

Cash flows used in investing activities were \$187.6 million for 2012. Our primary use of cash was \$191.5 million for capital expenditures. Major capital expenditures for the period included \$86.0 million, including capitalized interest, for the construction of our two AADU rigs, \$62.0 million for tubular and other

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products for Rental Tools, and \$13.8 million in a new enterprise resource planning system. Capital incurred to support ongoing drilling activities was \$29.7 million. Sources of cash included \$3.9 million of proceeds from asset sales.

Cash flows used in investing activities were \$184.6 million for 2011. Our primary use of cash was \$190.4 million for capital expenditures. Major capital expenditures for the period included \$77.9 million for the construction of our two AADU rigs, including capitalized interest, and \$61.5 million for tubular and other products for Rental Tools. Capital expenditures to support ongoing drilling activities was \$51.0 million. Sources of cash included \$5.5 million of proceeds from asset sales.

Capital expenditures for 2013 are estimated to range from \$150.0 million to \$175.0 million and will primarily be directed to our Rental Tools inventory and maintenance capital. Any discretionary spending will be evaluated based upon adequate return requirements and available liquidity. We believe that our operating cash flows and borrowings under our revolving credit facility (Revolver), will provide us sufficient cash and available liquidity to sustain operation and fund our capital expenditures for 2013, though there can be no assurance that we will continue to generate cash flows at sufficient levels or be able to obtain additional financing if necessary. See “Item 1A. Risk Factors” for a discussion of additional risks related to our business.

Financing Activities

Cash flows used in financing activities were \$12.1 million for 2012. Our primary financing activities included the repayment of \$125.0 million of 2.125% Senior Notes and \$18.0 million in quarterly payments against our Term Loans. In addition, we received proceeds from the issuance of an additional \$125.0 million aggregate principal amount of 9.125% Notes at a price of 104.0%, resulting in gross proceeds of \$130.0 million, less \$4.9 million of associated debt issuance costs. We also made a \$7.0 million draw on our Revolver.

Cash flows provided by financing activities were \$5.2 million for 2011. Our primary financing activities included a \$50.0 million draw on the accordion feature of our Credit Agreement in the form of a Term Loan, offset by the repayment of the \$25.0 million outstanding balance on our Revolver and \$21.0 million in quarterly payments against our Term Loans.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of 9.125% Senior Notes (9.125% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the \$225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay \$42.0 million of borrowings under our senior secured revolving credit facility (Revolver).

On April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of \$130.0 million. Net proceeds from the offering were utilized to refinance \$125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012 (2.125% Notes). We repurchased \$122.9 million aggregate principal amount of the 2.125% Notes tendered pursuant to a tender offer on May 9, 2012 and paid off the remaining \$2.1 million at their stated maturity on July 15, 2012.

The 9.125% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 9.125% Notes are jointly and severally guaranteed by substantially all of our material domestic subsidiaries other than subsidiaries generating revenues primarily outside the United States. Interest on the 9.125% Notes is payable on April 1 and October 1 of each year. Debt issuance costs related to the 9.125% Notes of approximately \$11.6 million (\$7.6 million, net of amortization) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to April 1, 2013, we may redeem up to 35 percent of the aggregate principal amount of the 9.125% Notes at a redemption price of 109.125 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after April 1, 2014, we may redeem all or a part of the 9.125% Notes upon appropriate notice, at a redemption price of

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104.563 percent of the principal amount, and beginning April 1, 2016 at redemption prices decreasing each year thereafter to par. If we experience certain changes in control, we must offer to repurchase the 9.125% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness; (v) create or incur liens; (vi) enter into sale and leaseback transactions; (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

2.125% Convertible Senior Notes, due July 2012

On July 5, 2007, we issued \$125.0 million aggregate principal amount of 2.125% Notes. As noted above, on May 9, 2012, we repurchased \$122.9 million aggregate principal amount of the 2.125% Notes pursuant to a tender offer. The tender offer price was \$1,003.27 for each \$1,000 principal amount of 2.125% Notes, plus accrued and unpaid interest. This repurchase resulted in the recording of debt extinguishment costs of \$1.8 million related to the accelerated amortization of both the unamortized debt issuance costs and debt discount associated with the 2.125% Notes. The remaining \$2.1 million aggregate principal amount of non-tendered 2.125% Notes was subsequently paid off at their stated maturity on July 15, 2012.

Concurrently with the issuance of the 2.125% Notes, we purchased a convertible note hedge (note hedge) and sold warrants in private transactions with counterparties that were different than the ultimate holders of the 2.125% Notes. The note hedge allowed us to receive shares of our common stock from the counterparties to the transaction equal to the amount of common stock related to the excess conversion value that we would issue and/or pay to the holders of the 2.125% Notes upon conversion. The warrants allowed us to sell 9,027,713 common shares at a strike price of \$18.29 per share. The note hedge expired on July 15, 2012, the maturity date of the 2.125% Notes. The warrants expired ratably from October 15, 2012 to February 22, 2013.

Because we had the choice of settling the call options and the warrants in cash or shares of our common stock and these contracts met all of the applicable criteria for equity classification, the cost of the call options and proceeds from the sale of the warrants were classified in stockholders' equity in the consolidated condensed balance sheets. In addition, because both of these contracts are classified in stockholders' equity and were indexed solely to our common stock, they were not accounted for as derivatives.

Debt issuance costs related to the 2.125% Notes of approximately \$3.6 million were amortized over the five year term of the 2.125% Notes using the effective interest method.

Amended and Restated Credit Agreement

On December 14, 2012, we entered into an Amended and Restated Credit Agreement (Credit Agreement) consisting of a senior secured \$80.0 million revolving credit facility (Revolver) and a senior secured term loan facility (Term Loan) of \$50.0 million. The Credit Agreement amended and restated our existing credit agreement dated May 15, 2008 (Existing Credit Agreement). We entered into the Credit Agreement to extend its maturity from May 14, 2013 to December 14, 2017 and to decrease the range of Applicable Rates under our Revolver. The Credit Agreement provides that, subject to certain conditions, including the approval of the Administrative Agent and the lenders' acceptance (or additional lenders being joined as new lenders), the amount of the Term Loan or Revolver can be increased by an additional \$50.0 million, so long as after giving effect to such increase, the Aggregate Commitments shall not be in excess of \$180.0 million.

Our obligations under the Credit Agreement are guaranteed by substantially all of our material domestic subsidiaries, each of which has executed guaranty agreements; and are secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The Credit Agreement contains customary affirmative and negative covenants with which we were in compliance as of December 31, 2012 and December 31, 2011. The Credit Agreement terminates on December 14, 2017.

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Revolver

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the Credit Agreement). Under the previously Existing Credit Agreement, the Applicable Rate varied from a rate per annum ranging from 2.75 percent to 3.25 percent for LIBOR rate loans and 1.75 percent to 2.25 percent for base rate loans. Revolving loans are available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2012 and December 31, 2011. Letters of credit outstanding as of December 31, 2012 and December 31, 2011 totaled \$4.5 million and \$2.7 million, respectively.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and requires quarterly principal payments of \$2.5 million beginning March 31, 2013. Interest on the Term Loan accrues at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The Existing Credit Agreement required quarterly principal payments of \$6.0 million, and interest accrued at a Base Rate plus 2.25 percent or LIBOR plus 3.25 percent. The outstanding balance on the Term Loans at December 31, 2012 was \$50.0 million under the Credit Agreement. The outstanding balance under the Existing Credit Agreement as of December 31, 2011 was \$61.0 million.

Other Liquidity

Our principal amount of long-term debt, including current portion, was \$475.0 million as of December 31, 2012, which consists of:

- \$425.0 million aggregate principal amount of 9.125% Senior Notes, due April 1, 2018; and
- \$50.0 million under our Term Loan, \$10.0 million of which is classified as current.

As of December 31, 2012, we had approximately \$163.4 million of liquidity, which consisted of \$87.9 million of cash and cash equivalents on hand and \$75.5 million of availability under the Revolver. We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. We have no energy, commodity, or foreign currency derivative contracts at December 31, 2012.

The following table summarizes our future contractual cash obligations as of December 31, 2012:

	Total	Less than 1 Year	Years 1 - 3	Years 3 - 5	More than 5 Years
	(Dollars in Thousands)				
Contractual cash obligations:					
Long-term debt — principal(1)	\$475,000	\$10,000	\$ 20,000	\$ 20,000	\$425,000
Long-term debt — interest(1)	217,623	40,342	79,598	78,292	19,391
Operating leases(2)	27,762	6,734	7,985	4,834	8,209
Purchase commitments(3)	9,645	9,645	—	—	—
Total contractual obligations	<u>\$730,030</u>	<u>\$66,721</u>	<u>\$107,583</u>	<u>\$103,126</u>	<u>\$452,600</u>
Commercial commitments:					
Standby letters of credit(4)	4,527	4,527	—	—	—
Total commercial commitments	<u>\$ 4,527</u>	<u>\$ 4,527</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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- 1) Long-term debt includes the principal and interest cash obligations of the 9.125% Notes. The remaining unamortized premium of \$4.2 million on the additional \$125.0 million of 9.125% Notes is not included in the contractual cash obligations schedule.
- 2) Operating leases consist of lease agreements in excess of one year for office space, equipment, vehicles and personal property.
- 3) We have purchase commitments outstanding as of December 31, 2012, related to rig upgrade projects and new rig construction.
- 4) We have an \$80.0 million Revolver. As of December 31, 2012, there were no borrowings and \$4.5 million of availability has been used to support letters of credit that have been issued, resulting in an estimated \$ 75.5 million of availability. The Revolver expires December 14, 2017.

OTHER MATTERS

Business Risks

See Item 1A, Risk Factors, for a discussion of risks related to our business.

Liberty Project Status

In November 2010, BP informed us that it was suspending construction on the project to review the rig's engineering and design, including its safety systems. The Liberty rig construction contract expired on February 8, 2011 prior to completion of the rig. Before expiration of the construction contract, BP identified several areas of concern relating to design, construction and invoicing for which it asked us to provide explanations and documentation, and we did so. Although we provided BP with the requested information, we do not know when or how these issues will be resolved with our client.

The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. Costs of the project were reimbursed without markup, except for costs associated with changes in work scope, for which we were entitled to a markup. As of December 31, 2011, we had recognized \$335.5 million in project-to-date revenues and the entire \$11.7 million fixed fee margin on the contract.

After expiration of the construction contract, the Company and BP continued activities to preserve and maintain the rig under the "pre-operations" phase of an O&M contract, which was entered into in August 2009 and expired on July 1, 2011. A new consulting services agreement was reached between the Company and BP effective July 1, 2011. Under the consulting services agreement, we assisted BP in a review of the rig's design, the creation of a new statement of requirements for the rig, and the transition of documentation and materials to BP. All work under the consulting agreement has been completed and we are engaged with BP on construction contract close-out resolution. In June 2012, BP publicly announced that it had made the decision to suspend the Liberty project indefinitely. We do not know whether or how that decision may impact our discussions with BP related to contract close-out.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to fair value of assets, bad debt, materials and supplies obsolescence, property and equipment, goodwill, income taxes, workers' compensation and health insurance and contingent liabilities for which settlement is deemed to be probable. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that such estimates are reasonable, actual results could differ from these estimates.

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We believe the following are our most critical accounting policies as they are complex and require significant judgments, assumptions and/or estimates in the preparation of our consolidated financial statements. Other significant accounting policies are summarized in Note 1 in the notes to the consolidated financial statements.

Fair value measurements. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Impairment of Property, Plant and Equipment. We review the carrying amounts of long-lived assets for potential impairment annually, typically during the fourth quarter, or when events occur or circumstances change that indicate the carrying value of such assets may not be recoverable. For example, evaluations are performed when we experience sustained significant declines in utilization and dayrates and we do not contemplate recovery in the near future, or when we reclassify property and equipment to assets held for sale or as discontinued operations as prescribed by accounting guidance related to accounting for the impairment or disposal of long-lived assets. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the concluded current fair value is below the net carrying value.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets.

Insurance Reserves. Our operations are subject to many hazards inherent to the drilling industry, including blowouts, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer, and we seek to obtain indemnification from our customers by contract for certain of these risks. To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we seek protection through insurance. However, these insurance or indemnification agreements may not adequately protect us against liability from all of the consequences of the hazards described above. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of an insurance coverage deductible.

Based on the risks discussed above, we estimate our liability in excess of insurance coverage and record reserves for these amounts in our consolidated financial statements. Reserves related to insurance are based on the facts and circumstances specific to the insurance claims and our past experience with similar claims. The actual outcome of insured claims could differ significantly from the amounts estimated. We accrue actuarially determined amounts in our consolidated balance sheet to cover self-insurance retentions for workers' compensation, employers' liability, general liability, automobile liability and health benefits claims. These accruals use historical data based upon actual claim settlements and reported claims to project future losses. These estimates and accruals have historically been reasonable in light of the actual amount of claims paid.

As the determination of our liability for insurance claims could be material and is subject to significant management judgment and in certain instances is based on actuarially estimated and calculated amounts, management believes that accounting estimates related to insurance reserves are critical.

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Accounting for Income Taxes. We are a U.S. company and we operate through our various foreign legal entities and their branches and subsidiaries in numerous countries throughout the world. Consequently, our tax provision is based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates imposed and methods of computing taxable income in these jurisdictions vary. Therefore, as a part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year as our operations are conducted in different taxing jurisdictions. Current income tax expense represents either liabilities expected to be reflected on our income tax returns for the current year, nonresident withholding taxes or changes in prior year tax estimates which may result from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on the consolidated balance sheet. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the deferred tax assets and liabilities or valuation allowances, including as discussed below.

Our ability to realize the benefit of our deferred tax assets requires that we achieve certain future earnings levels prior to the expiration of our net operating loss (NOL) and foreign tax credit (FTC) carryforwards. In the event that our earnings performance projections do not indicate that we will be able to benefit from our NOL and FTC carryforwards, valuation allowances are established. We periodically evaluate our ability to utilize our NOL and FTC carryforwards and, in accordance with accounting guidance related to accounting for income taxes, will record any resulting adjustments that may be required to deferred income tax expense in the period for which an existing estimate changes.

We do not currently provide for U.S. deferred taxes on unremitted earnings of our foreign subsidiaries as such earnings are deemed to be permanently reinvested. If such earnings were to be distributed, we would be subject to U.S. taxes, which may have a material impact on our results of operations. We periodically review our position and may elect to change our future tax position.

We apply the accounting standards related to uncertainty in income taxes. This accounting guidance requires that management make estimates and assumptions affecting amounts recorded as liabilities and related disclosures due to the uncertainty as to final resolution of certain tax matters. Because the recognition of liabilities under this interpretation may require periodic adjustments and may not necessarily imply any change in management's assessment of the ultimate outcome of these items, the amount recorded may not accurately reflect actual outcomes.

Revenue Recognition. Contract drilling revenues and expenses, comprised of daywork drilling contracts and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Technical Services contracts include engineering, consulting, and project management scopes of work and revenue is typically recognized on a time and materials basis. Construction contract revenues and costs are recognized on a percentage of completion basis utilizing the cost-to-cost method.

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Recent Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Notes to Consolidated Financial Statements — Note 18 — Recent Accounting Pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

Our international operations expose us to foreign currency exchange rate risk. There are a variety of techniques to minimize the exposure to foreign currency exchange rate risk, including customer contract payment terms and the possible use of foreign currency exchange rate risk derivative instruments. Our primary foreign currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign currency exchange rate risk needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign currency exchange rate risk derivative instruments, specifically foreign currency exchange rate risk forward contracts, or spot purchases, may be used to mitigate foreign exchange rate currency risk. A foreign currency exchange rate risk forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such an exchange. We do not enter into derivative transactions for speculative purposes. At December 31, 2012, we had no open foreign currency exchange rate risk derivative contracts.

Interest Rate Risk

We are exposed to changes in interest rates through our fixed rate long-term debt. Typically, the fair market value of fixed rate long-term debt will increase as prevailing interest rates decrease and will decrease as prevailing interest rates increase. The fair value of our long-term debt is estimated based on quoted market prices where applicable, or based on the present value of expected cash flows relating to the debt discounted at rates currently available to us for long-term borrowings with similar terms and maturities. The estimated fair value of our \$425.0 million principal amount of 9.125% Senior Notes due 2018, based on quoted market prices, was \$453.7 million at December 31, 2012. A hypothetical 100 basis point increase in interest rates relative to market interest rates at December 31, 2012 would decrease the fair market value of our 9.125% Senior Notes by approximately \$47.5 million.

The Company entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the Credit Agreement. The two agreements fix the interest rate on a notional amount of \$73.0 million of borrowings at 3.878% for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decreases correspondingly with amortization of the Term Loan. We do not apply hedge accounting to the agreements and, accordingly, the Company reports the mark-to-market change in the fair value of the interest rate swaps in earnings. For the years ended December 31, 2012 and 2011, the Company recognized in earnings a \$0.1 million gain and \$0.1 million loss, respectively on interest rate swaps.

Impact of Fluctuating Commodity Prices

We are exposed to fluctuations that arise from economic or political risks that have, and will, impact underlying commodity prices for natural gas, oil and natural gas/oil mixtures. The Company's business is subject to price fluctuations in commodities, and may be impacted by prolonged pricing reductions. Currently, the price of natural gas has been depressed due in some part to high levels of natural gas inventory. Drilling for natural gas has been negatively impacted; however, drilling activity and our rental tools business has remained active with the focus on oil/liquids-rich shale plays.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Parker Drilling Company:

We have audited Parker Drilling Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Parker Drilling Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Parker Drilling Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Houston, Texas
March 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Parker Drilling Company:

We have audited the accompanying consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II – Valuation and Qualifying Accounts. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parker Drilling Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Parker Drilling Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas
March 1, 2013

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues	\$ 677,982	\$ 686,646	\$ 659,475
Expenses:			
Operating expenses	414,064	418,144	471,278
Depreciation and amortization	113,017	112,136	115,030
	<u>527,081</u>	<u>530,280</u>	<u>586,308</u>
Total operating gross margin	<u>150,901</u>	<u>156,366</u>	<u>73,167</u>
General and administration expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	<u>106,823</u>	<u>(42,639)</u>	<u>45,107</u>
Other income and (expense):			
Interest expense	(33,542)	(22,594)	(26,805)
Interest income	153	256	257
Loss on extinguishment of debt	(2,130)	—	(7,209)
Change in fair value of derivative positions	55	(110)	—
Other	(382)	(325)	155
Total other expense	<u>(35,846)</u>	<u>(22,773)</u>	<u>(33,602)</u>
Income (loss) before income taxes	<u>70,977</u>	<u>(65,412)</u>	<u>11,505</u>
Income tax expense (benefit):			
Current tax expense	18,042	33,608	27,521
Deferred tax expense (benefit)	15,837	(48,375)	(1,308)
Total income tax expense (benefit)	<u>33,879</u>	<u>(14,767)</u>	<u>26,213</u>
Net income (loss)	37,098	(50,645)	(14,708)
Less: Net (loss) attributable to noncontrolling interest	(215)	(194)	(247)
Net income (loss) attributable to controlling interest	<u>\$ 37,313</u>	<u>\$ (50,451)</u>	<u>\$ (14,461)</u>
Basic earnings per share:	\$ 0.32	\$ (0.43)	\$ (0.13)
Diluted earnings per share:	\$ 0.31	\$ (0.43)	\$ (0.13)
Number of common shares used in computing earnings per share:			
Basic	117,721,135	116,081,590	114,258,965
Diluted	119,093,590	116,081,590	114,258,965

See accompanying notes to the consolidated financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

	December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 87,886	\$ 97,869
Accounts and notes receivable, net of allowance for bad debts of \$8,117 in 2012 and \$1,544 in 2011	168,562	183,923
Rig materials and supplies	28,860	29,947
Deferred costs	1,089	3,249
Deferred income taxes	8,742	6,650
Other tax assets	33,524	25,358
Assets held for sale	11,550	5,315
Other current assets	12,821	15,302
Total current assets	<u>353,034</u>	<u>367,613</u>
Property, plant and equipment, at cost:		
Drilling equipment	1,165,924	1,094,366
Rental tools	337,874	310,429
Buildings, land and improvements	38,736	33,817
Other	56,819	57,111
Construction in progress	190,445	194,362
	1,789,798	1,690,085
Less accumulated depreciation and amortization	<u>1,003,640</u>	<u>970,276</u>
Property, plant and equipment, net	786,158	719,809
Other assets:		
Rig materials and supplies	8,980	10,395
Debt issuance costs	8,863	7,025
Deferred income taxes	95,295	108,311
Other assets	3,403	3,093
Total other assets	<u>116,541</u>	<u>128,824</u>
Total assets	<u>\$1,255,733</u>	<u>\$1,216,246</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 145,723
Accounts payable	62,090	76,706
Accrued liabilities	75,656	58,544
Accrued income taxes	4,120	4,837
Total current liabilities	<u>151,866</u>	<u>285,810</u>
Long-term debt	469,205	337,000
Other long-term liabilities	23,182	33,452
Long-term deferred tax liability	20,847	15,934
Commitments and contingencies (Note 13)	—	—
Stockholders' equity:		
Preferred stock, \$1 par value, 1,942,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.16 2/3 par value, authorized 280,000,000 shares, issued and outstanding, 118,968,396 shares (117,061,203 shares in 2011)	19,818	19,508
Capital in excess of par value	646,217	637,042
Accumulated deficit	<u>(74,631)</u>	<u>(111,944)</u>
Total controlling interest stockholders' equity	591,404	544,606
Noncontrolling interest	<u>(771)</u>	<u>(556)</u>
Total equity	<u>590,633</u>	<u>544,050</u>
Total liabilities and stockholders' equity	<u>\$1,255,733</u>	<u>\$1,216,246</u>

See accompanying notes to the consolidated financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Year Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 37,098	\$ (50,645)	\$ (14,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	113,017	112,136	115,030
Impairment of property, plant and equipment	—	170,000	—
Loss on extinguishment of debt	2,130	—	7,209
Gain on disposition of assets	(1,974)	(3,659)	(4,620)
Deferred tax expense (benefit)	15,837	(48,375)	(1,308)
Provision for reduction in carrying value of certain assets	—	1,350	1,952
Expenses not requiring cash	22,600	12,833	14,829
Change in assets and liabilities:			
Accounts and notes receivable	15,241	(6,841)	20,752
Rig materials and supplies	344	(913)	(856)
Other current assets	(4,313)	63,816	(2,969)
Accounts payable and accrued liabilities	(2,657)	(24,908)	(10,868)
Accrued income taxes	(6,102)	2,141	(4,124)
Other assets	(1,522)	(1,050)	3,231
Net cash provided by operating activities	<u>189,699</u>	<u>225,885</u>	<u>123,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(191,543)	(190,399)	(219,184)
Proceeds from the sale of assets	3,937	5,535	6,475
Proceeds from insurance claims	—	250	—
Net cash used in investing activities	<u>(187,606)</u>	<u>(184,614)</u>	<u>(212,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	130,000	50,000	300,000
Proceeds from draw on revolver credit facility	7,000	—	25,000
Repayments of senior notes	(125,000)	—	(225,000)
Repayments of term loan	(18,000)	(21,000)	(12,000)
Repayments of revolver	—	(25,000)	(42,000)
Payments of debt issuance costs	(4,859)	(504)	(7,976)
Payments of debt extinguishment costs	(555)	—	(7,466)
Proceeds from stock options exercised	—	183	26
Excess tax benefit (expense) from stock-based compensation	(662)	1,488	1,203
Net cash provided by (used in) financing activities	<u>(12,076)</u>	<u>5,167</u>	<u>31,787</u>
Net increase (decrease) in cash and cash equivalents	(9,983)	46,438	(57,372)
Cash and cash equivalents at beginning of year	97,869	51,431	108,803
Cash and cash equivalents at end of year	<u>\$ 87,886</u>	<u>\$ 97,869</u>	<u>\$ 51,431</u>
Supplemental cash flow information:			
Interest paid	\$ 37,405	\$ 32,785	\$ 30,377
Income taxes paid	\$ 40,234	\$ 21,742	\$ 41,024

See accompanying notes to the consolidated financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars and Shares in Thousands)

	<u>Shares</u>	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>	<u>Total Controlling Stockholders' Equity</u>	<u>Noncontrolling Interest</u>	<u>Total Stockholders' Equity</u>
Balances, December 31, 2009	116,239	\$19,374	\$623,557	\$ (47,032)	\$ 595,899	—	\$ 595,899
Activity in employees' stock plans	130	23	114	—	137		137
Excess tax benefit from stock based compensation	—	—	1,203	—	1,203		1,203
Amortization of restricted stock plan compensation	—	—	5,535	—	5,535		5,535
Net income (total comprehensive income of \$14,708)	—	—	—	(14,461)	(14,461)	(247)	(14,708)
Balances, December 31, 2010	116,369	\$19,397	\$630,409	\$ (61,493)	\$ 588,313	\$ (247)	\$ 588,066
Activity in employees' stock plans	692	111	(343)	—	(232)		(232)
Excess tax benefit from stock options exercised	—	—	988	—	988		988
Amortization of restricted stock plan compensation	—	—	5,988	—	5,988		5,988
Net income (total comprehensive net loss of \$50,645)	—	—	—	(50,451)	(50,451)	(194)	(50,645)
Other, net						(115)	(115)
Balances, December 31, 2011	117,061	\$19,508	\$637,042	\$ (111,944)	\$ 544,606	\$ (556)	\$ 544,050
Activity in employees' stock plans	1,907	310	2,620	—	2,930		2,930
Excess tax benefit from stock options exercised	—	—	(662)	—	(662)		(662)
Amortization of restricted stock plan compensation	—	—	7,217	—	7,217		7,217
Net income (total comprehensive net income of \$37,098)	—	—	—	37,313	37,313	(215)	37,098
Balances, December 31, 2012	<u>118,968</u>	<u>\$19,818</u>	<u>\$646,217</u>	<u>\$ (74,631)</u>	<u>\$ 591,404</u>	<u>\$ (771)</u>	<u>\$ 590,633</u>

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Nature of Operations — Parker Drilling, together with its subsidiaries (the Company), is a worldwide provider of contract drilling and drilling-related services and currently we operate in 12 countries. We have operated in over 50 foreign countries and the United States since beginning operations in 1934, making us among the most geographically experienced drilling contractors in the world. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. We believe our quality, health, safety and environmental practices are leaders in our industry. Our rental tools subsidiary specializes in oil and natural gas drilling rental tools providing high-quality, reliable equipment, such as drill pipe, heavy-weight drill pipe, tubing, high-torque connections, BOPs and drill collars used for drilling, workover and production applications.

Our U.S. barge drilling business operates barge rigs drill for natural gas, oil, and a combination of oil and natural gas in the shallow waters in and along the inland waterways of Louisiana, Alabama, and Texas. Our international drilling business provides extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. Additionally, our international drilling business includes operations and maintenance and other project management services, such as labor, maintenance, and logistics for operators who own their own drilling rigs, but choose Parker Drilling to operate the rigs for them. At December 31, 2012, our marketable rig fleet consisted of 14 barge drilling rigs and 24 land rigs located in the United States, Latin America and the Eastern Hemisphere regions. Our Technical services business includes engineering and related project services during the concept development, pre-FEED, and FEED (Front End Engineering Design) phases of our customer owned drilling facility projects. As these projects mature, we continue providing the same services during the Engineering, Procurement, Construction and Installation (EPCI) phase.

Consolidation — The consolidated financial statements include the accounts of the Company and subsidiaries in which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity's losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling's interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

Noncontrolling Interest — We apply the accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. The entities that comprise the noncontrolling interest include Parker SMNG Drilling Limited Liability Company and Primorsky Drill Rig Services B.V. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

Reclassifications — Certain reclassifications have been made to prior period amounts to conform with the current period presentation. These reclassifications did not have a material effect on our consolidated statements of operations, consolidated balance sheets or statements of cash flows.

Revenue Recognition — Contract drilling revenues and expenses, comprised of daywork drilling contracts and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Construction contract revenues and costs are recognized on a percentage of completion basis utilizing the cost-to-cost method.

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Reimbursable Costs — The Company recognizes reimbursements received for out-of-pocket expenses incurred as revenues and accounts for out-of-pocket expenses as direct operating costs. Such amounts totaled \$44.9 million, \$64.2 million, and \$40.1 million during the years ended December 31, 2012, 2011, and 2010, respectively.

Use of Estimates — The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the financial statements, and our revenue and expenses during the periods reported. Estimates are typically used when accounting for certain significant items such as legal or contractual liability accruals, mobilization and deferred mobilization, revenue and cost accounting for projects that follow the percentage of completion method, self-insured medical/dental plans, and other items requiring the use of estimates. Estimates are based on a number of variables which may include third party valuations, historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

During the third quarter of 2010, we corrected an accounting error relating to value added taxes (VAT) in our Western Kazakhstan branch (PDKBV). The cumulative effect of the error and related foreign currency translation impact overstated net income and retained earnings by \$6.4 million over the period 2007 through 2009. The impact of the error was determined not to be material to our results of operations and financial position for any previously reported periods. Consequently, during the third quarter of 2010, the cumulative effect of this correction was recorded in operating expenses and is reflected in year to date operating expenses for the year ended December 31, 2010.

Cash and Cash Equivalents — For purposes of the consolidated balance sheets and the consolidated statements of cash flows, the Company considers cash equivalents to be highly liquid debt instruments that have a remaining maturity of three months or less at the date of purchase.

Accounts Receivable and Allowance for Doubtful Accounts — Trade accounts receivable are recorded at the invoice amount and generally do not bear interest. The allowance for doubtful accounts is our best estimate for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exist for potential collection.

Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to customers.

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
	(Dollars in Thousands)	
Trade	\$176,029	\$184,817
Notes receivable	650	650
Allowance for doubtful accounts ⁽¹⁾	(8,117)	(1,544)
Total accounts and notes receivable, net of allowance for bad debt	<u>\$168,562</u>	<u>\$183,923</u>

- 1) Additional information on the allowance for doubtful accounts for the years ended December 31, 2012, 2011 and 2010 is reported on Schedule II — Valuation and Qualifying Accounts.

Property, Plant and Equipment — We account for depreciation of property, plant and equipment on the straight line method over the estimated useful lives of the assets after provision for salvage value. Depreciation, for tax purposes, utilizes several methods of accelerated depreciation. Depreciable lives for different categories of property, plant and equipment are as follows:

Land drilling equipment	3 to 20 years
Barge drilling equipment	3 to 20 years
Drill pipe, rental tools and other	4 to 7 years
Buildings and improvements	15 to 30 years

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Annual Impairment Review — We review the carrying amounts of long-lived assets for potential impairment annually, typically during the fourth quarter, or when events occur or circumstances change that indicate the carrying value of such assets may not be recoverable. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets' carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value.

Capitalized Interest — Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest costs reduce net interest expense in the consolidated statements of operations. During 2012, 2011 and 2010, we capitalized interest costs related to the construction of rigs of \$10.2 million, \$19.3 million and \$13.5 million, respectively.

Assets held for sale — We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination. At December 31, 2012 and 2011, we had net assets held for sale, included in current assets, in the amounts of \$11.6 million and \$5.3 million, respectively. For further information, see Note 4.

Rig Materials and Supplies — Because our international drilling generally occurs in remote locations, making timely outside delivery of spare parts uncertain, a complement of parts and supplies is maintained either at the drilling site or in warehouses close to the operation. During periods of high rig utilization, these parts are generally consumed and replenished within a one-year period. During a period of lower rig utilization in a particular location, the parts, like the related idle rigs, are generally not transferred to other international locations until new contracts are obtained because of the significant transportation costs, that would result from such transfers. We classify those parts which are not expected to be utilized in the following year as long-term assets. Rig materials and supplies are valued at the lower of cost or market value.

Deferred Costs — We defer costs related to rig mobilization and amortize such costs over the term of the related contract. The costs to be amortized within twelve months are classified as current.

Debt Issuance Costs — We typically defer costs associated with debt financings and refinancing, and amortize those costs over the term of the related debt.

Income Taxes — Income taxes are accounted for under the asset and liability method and have been provided based upon tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. Accordingly, the impact of the American Taxpayer Relief Act of 2012, which was enacted January 2, 2013, will be recognized in 2013, not 2012. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Earnings (Loss) Per Share (EPS) — Basic earnings (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options, unvested restricted stock and convertible debt are included in the diluted EPS calculation, when applicable.

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Concentrations of Credit Risk — Financial instruments, that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables.

At December 31, 2012 and 2011, we had deposits in domestic banks in excess of federally insured limits of approximately \$12.2 million and \$10.2 million, respectively. In addition, we had deposits in foreign banks, which were not insured at December 31, 2012 and 2011 of \$34.5 million and \$38.4 million, respectively.

Our customer base consists of major, independent and national oil and natural gas companies and integrated service providers. We depend on a limited number of significant customers. Our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, constituted 11.8 percent and 10.4 percent, respectively of our revenues for 2012.

Construction Contract — For the periods reported, our construction contract business included only the drilling rig construction project for BP. In November 2010, our customer, BP, informed us that it was suspending construction on the project to review the rig's engineering and design, including its safety systems. The Liberty rig construction contract was a fixed fee and reimbursable contract that we accounted for on a percentage of completion basis. As of December 31, 2011 and 2010, we had recognized \$335.5 million and \$325.9 million in project-to-date revenues, respectively. We have recognized the entire \$11.7 million fixed fee margin on the contract.

The Liberty rig construction contract expired on February 8, 2011 prior to completion of the rig. Before expiration of the construction contract, BP identified several areas of concern relating to design, construction and invoicing for which it asked us to provide explanations and documentation, and we have done so. Although we provided BP with the requested information, we do not know when or how these issues will be resolved with our client.

After expiration of the construction contract, the Company and BP continued activities to preserve and maintain the rig under the "pre-operations" phase of our contract, which was entered into in August 2009 and expired on July 1, 2011. A new consulting services agreement was reached between the Company and BP effective July 1, 2011. Under the consulting services agreement, we assisted BP in a review of the rig's design, the creation of a new statement of requirements for the rig, and the transition of documentation and materials to BP. All work under the consulting agreement has been completed and we are engaged with BP on construction contract close-out resolution. In June 2012, BP publicly announced that it had made the decision to suspend the Liberty project indefinitely. We do not know whether or how that decision may impact our discussions with BP related to contract close-out.

Fair value measurements — For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Derivative Financial Instruments — We use derivative instruments to manage risks associated with interest rate fluctuations in connection with our Credit Agreement (see Note 7). These derivative instruments, which consist of variable-to-fixed interest rate swaps, are not designated as hedges. Accordingly, the change in the fair value of the interest rate swaps is recognized in earnings at each reporting period.

Stock-Based Compensation — Under our long term incentive plans, we grant restricted stock awards (RSA), restricted stock units (RSU) and performance units (PU). For service-based awards and performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period. Share-based awards generally vest over three years.

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Share-based compensation expense is recognized, net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. The fair value of nonvested RSA's and RSU's is determined based on the closing trading price of the company's shares on the grant date. Our RSA's and RSU's are settled in stock upon vesting. Our PU awards can be settled in cash or stock at the discretion of the compensation committee of the board of directors and are, therefore, accounted for as liability awards under the stock compensation rules of U.S. GAAP.

We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. Tax deduction benefits for awards in excess of recognized compensation costs are reported as a financing cash flow.

Note 2 — Asset Impairment

During the fourth quarter of 2011, we evaluated the present value of the future cash flows related to our AADU rigs in accordance with the impairment or disposal of long-lived assets subsections of ASC 360-10, Property, Plant and Equipment. The evaluation was performed as a result of the delay in completion of the rigs to allow the Company to modify the rigs to meet their design and functional requirements and an increase in the cost of the rigs. The need for the modifications was determined as a result of comprehensive safety, technical and operational reviews during commissioning activities of these prototype drilling rigs. The modification work extended the commissioning activities and increased the rigs' total costs. At the time of the impairment evaluation, the two rigs' cost at completion was estimated to be \$385 million, which included capitalized interest estimates of approximately \$50.7 million. This cost exceeded the estimated fair value of the rigs based on their projected cash flows. Based on this evaluation, the Company determined that the long-lived assets with a carrying amount of \$339.5 million as of December 31, 2011, were no longer recoverable and were in fact impaired and recorded a charge in the 2011 fourth quarter of \$170.0 million (\$109.1 million, net of taxes) to reflect their estimated fair value of \$169.5 million. Fair value was based on expected future cash flows using Level 3 inputs under the fair value measurement requirements. The cash flows are those expected to be generated by the market participants, discounted at the 10 percent rate of interest. In December 2012 we commenced drilling operations with the first AADU rig. The second rig completed client acceptance testing and began drilling in February 2013. The AADU rigs are reported as part of the U.S. Drilling segment.

Note 3 — Disposition of Assets

Disposition of Assets — In December 2012, we sold a 33 year old posted barge drilling rig for proceeds of \$0.2 million, resulting in a \$0.5 million loss. There were no individually significant asset dispositions in 2011 and 2010.

Provision for Reduction in Carrying Value of an Asset — In 2011 and 2010, we recognized a charge of \$1.4 million, and \$2.0 million respectively related to a final settlement of a bankruptcy proceeding. The 2010 reduction resulted from the conclusion that the Company's rights to mineral reserves no longer supported the outstanding receivable. In 2011, the Company and the bankruptcy trustee settled claims through this final settlement. In 2012, we did not incur any provision for reduction in carrying value of an asset.

Note 4 — Assets Held for Sale

Assets held for sale of \$11.6 million as of December 31, 2012 was comprised of the net book value of five land rigs and related inventory. For three rigs comprising \$5.3 million of the assets held for sale balance, we have received \$1.6 million in down payment and deposits on these assets and associated inventories. The sale of these assets is expected to be finalized in 2013. Prior to being classified as assets held for sale, these assets were included in the International Drilling segment. We expect the carrying amount of the assets, less costs to sell, will be fully recoverable through sale of the assets.

Additionally, during the third quarter of 2012, we determined that two of our rigs located in Kazakhstan met the criteria for classification as assets held for sale. As of September 30, 2012, we reclassified the \$6.4 million net book value of these assets and associated inventories to assets held for sale. Prior to being classified as assets held for sale, these assets were included in the International Drilling segment. We expect the carrying amount of the assets, less costs to sell, will be fully recoverable through sale of the assets.

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Note 5 — Income Taxes

Income (loss) before income taxes is summarized below:

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
United States	\$52,422	\$(61,434)	\$ 1,865
Foreign	18,555	(3,978)	9,640
	<u>\$70,977</u>	<u>\$(65,412)</u>	<u>\$11,505</u>

Income tax expense (benefit) is summarized as follows:

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Current:			
United States:			
Federal	\$ 7,791	\$ 17,168	\$ (273)
State	733	1,264	184
Foreign	9,518	15,176	27,610
Deferred:			
United States:			
Federal	15,612	(46,694)	(3,981)
State	4,296	1,864	1,459
Foreign	(4,071)	(3,545)	1,214
	<u>\$33,879</u>	<u>\$(14,767)</u>	<u>\$26,213</u>

Total income tax expense differs from the amount computed by multiplying income before income taxes by the U.S. federal income tax statutory rate. The reasons for this difference are as follows:

	Year Ended December 31,					
	2012		2011		2010	
	(Dollars in thousands)					
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed Expected Tax Expense	\$24,842	35%	\$(22,894)	35%	\$ 4,027	35%
Foreign Taxes	13,428	19%	15,644	-24%	18,951	165%
Tax Effect Different From Statutory Rates	(8,080)	-11%	(1,571)	2%	(7,996)	-70%
State Taxes, net of federal benefit	4,757	7%	2,689	-4%	1,579	14%
Foreign Tax Credits	(1,867)	-3%	(14,595)	22%	(15,442)	-134%
Kazakhstan Tax Settlement	—	0%	(536)	1%	13,304	116%
Mexico Tax Settlement	—	0%	—	0%	1,022	9%
Change in Valuation Allowance	(1,662)	-2%	2,542	-4%	506	4%
Uncertain Tax Positions	(6,814)	-10%	1,348	-2%	983	9%
Permanent Differences	5,477	8%	6,356	-10%	6,003	52%
Prior Year Return to Provision Adjustments	2,948	4%	835	-1%	1,775	15%
Other	850	1%	899	-1%	1,501	13%
Unremitted Foreign Earnings-Current Year Adjustment	—	0%	(5,484)	8%	—	0%
Actual Tax Expense	<u>\$33,879</u>	<u>48%</u>	<u>\$(14,767)</u>	<u>22%</u>	<u>\$ 26,213</u>	<u>228%</u>

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The components of the Company's deferred tax assets and liabilities as of December 31, 2012 and 2011 are shown below:

	December 31,	
	2012	2011
	(Dollars in Thousands)	
Deferred tax assets		
Current deferred tax assets:		
Reserves established against realization of certain assets	\$ 1,634	\$ 3,284
Accruals	6,747	3,065
Other	361	301
Gross current deferred tax assets	8,742	6,650
Valuation allowance	—	—
Current deferred tax assets	<u>8,742</u>	<u>6,650</u>
Non-current deferred tax assets:		
Federal net operating loss carryforwards	—	361
State net operating loss carryforwards	3,095	6,393
Other state deferred tax asset, net	914	656
Foreign Tax Credits	25,977	28,146
Note Hedge Interest	—	1,318
Uncertain tax positions	8,015	8,188
Foreign tax	5,838	9,824
Impairment of long-lived assets	56,190	59,500
Other	71	392
Gross long-term deferred tax assets	100,100	114,778
Valuation Allowance	(4,805)	(6,467)
Non-current deferred tax assets, net of valuation allowance	<u>95,295</u>	<u>108,311</u>
Net deferred tax assets	<u>104,037</u>	<u>114,961</u>
Deferred tax liabilities:		
Non-current deferred tax liabilities:		
Property, Plant and equipment	(19,139)	(8,986)
Accruals	(1,066)	—
Foreign tax	—	(6,379)
Convertible Debt	—	(31)
Deferred compensation	2,001	1,243
Other state deferred tax liability, net	(2,643)	—
Other	—	(630)
Gross non-current deferred tax liabilities	<u>(20,847)</u>	<u>(15,934)</u>
Net deferred tax asset	<u>\$ 83,190</u>	<u>\$ 99,027</u>

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As part of the process of preparing the consolidated financial statements, the Company is required to determine its provision for income taxes. This process involves estimating the annual effective tax rate and the nature and measurements of temporary and permanent differences resulting from differing treatment of items for tax and accounting purposes. These differences and the operating loss and tax credit carryforwards result in deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of appropriate character in each taxing jurisdiction during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. To the extent the Company believes that it does not meet the test that recovery is more likely than not, it establishes a valuation allowance. To the extent that the Company establishes a valuation allowance or changes this allowance in a period, it adjusts the tax provision or tax benefit in the consolidated statement of operations. We use our judgment in determining provisions or benefits for income taxes, and any valuation allowance recorded against previously established deferred tax assets. Based upon the factors considered by management in assessing the realizability of the deferred tax assets, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The 2012 results include income tax expenses of \$1.7 million related to the effective settlement of our US Federal Internal Revenue Service examination for the 2006 through 2010 periods and \$7.7 million for depreciation and amortization relating to our AADU rigs in Alaska. In addition, we decreased our valuation allowance by \$1.7 million primarily related to foreign NOLs.

The 2011 results include an income tax benefit of \$60.9 million (federal and state combined) related to the \$170.0 million non-cash pretax impairment charge relating to our AADU rigs in Alaska. In addition, we increased our valuation allowance by \$2.5 million primarily related to foreign NOL's.

The 2010 results include income tax expense primarily related to an unfavorable ruling by the Atyrau Oblast Court. The Kazakhstan tax matter increased tax expense by approximately \$14.5 million (\$6.8 million net of anticipated tax benefits), which includes approximately \$6.5 million in tax, \$4.8 million in interest and \$3.2 million in penalties. PKD Kazakhstan intends to submit a further discretionary appeal to the Supreme Court of the Republic of Kazakhstan. In addition, tax expense increased from our settlement of a foreign tax audit for one of our subsidiaries for \$1.2 million, which includes approximately \$0.6 million of tax, \$0.1 million in interest, and \$0.5 million in penalties.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>In Thousands</u>
Balance at January 1, 2012	\$ (15,492)
Additions based on tax positions taken during a prior period	(1,495)
Reductions based on tax positions taken during a prior period	4,102
Reductions related to a lapse of applicable statute of limitations	2,855
Balance at December 31, 2012	<u>\$ (10,030)</u>

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2012:

Colombia	2008-present
Kazakhstan	2007-present
Mexico	2007-present
Papua New Guinea	2010-present
Russia	2009-present
United States — Federal	2011-present

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At December 31, 2012, we had a liability for unrecognized tax benefits of \$10.0 million (\$3.2 million of which, if recognized, would favorably impact our effective tax rate).

The Company recognized interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and December 31, 2011 we had approximately \$7.0 million and \$8.4 million of accrued interest and penalties related to uncertain tax positions, respectively. We recognized a decrease of \$0.2 million of interest and a decrease of \$1.1 million of penalties on unrecognized tax benefits for the year ended December 31, 2012.

As of December 31, 2012, the Company has permanently reinvested accumulated undistributed earnings of foreign subsidiaries and, therefore, has not recorded a deferred tax liability related to subject earnings. Upon distribution of additional earnings in the form of dividends or otherwise, we would likely be subject to US income taxes and foreign withholding taxes. It is not practicable to determine precisely the amount of taxes that may be payable on the eventual remittance of these earnings because of the application of US foreign tax credits. While we currently claim foreign tax credits, we may not be in a credit position if and when future remittances of foreign earnings occur, or the limitation imposed by the Internal Revenue Code and regulations thereunder may not allow the credits to be utilized during the applicable carryback and carryforward periods.

Note 6 — Long-Term Debt

The following table illustrates the Company's current debt portfolio as of December 31, 2012 and December 31, 2011:

	December 31,	
	2012	2011
	(Dollars in Thousands)	
Senior Notes—payable in April 2018; fixed interest at 9.125% payable semi-annually in April and October (Issued March 22, 2010).	\$300,000	\$300,000
Senior Notes—payable in April 2018; fixed interest at 9.125% payable semi-annually in April and October (Issued April 25, 2012).	129,205	—
\$125.0 million aggregate principal Convertible Senior Notes—payable in July 2012; interest at 2.125% payable semi-annually in January and July, net of unamortized discount of \$3,277 at December 31, 2011.	—	121,723
Term Note—amortizes \$2.5 million per quarter beginning March 31, 2013 (\$6.0 million per quarter prior to March 31, 2013); interest at prime, plus an applicable margin or LIBOR, plus an applicable margin. (Effective interest rate of 3.21% and 3.55% at December 31, 2012 and December 31, 2011, respectively)	50,000	61,000
Total debt	<u>479,205</u>	<u>482,723</u>
Less current portion	10,000	145,723
Total long-term debt	<u>\$469,205</u>	<u>\$337,000</u>

The aggregate maturities of long-term debt, including unamortized premiums of \$4.2 million, as of December 31, 2012 are as follows:

- 2013 — \$11.0 million
- 2014 — \$10.9 million
- 2015 — \$10.8 million
- 2016 — \$10.7 million
- 2017 and thereafter — \$435.8 million

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of 9.125% Senior Notes (9.125% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company,

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N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the \$225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay \$42.0 million of borrowings under our senior secured revolving credit facility.

On April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of \$130.0 million. Net proceeds from the offering were utilized to refinance \$125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012 (2.125% Notes). We repurchased \$122.9 million aggregate principal amount of the 2.125% Notes tendered pursuant to a tender offer on May 9, 2012 and paid off the remaining \$2.1 million at their stated maturity on July 15, 2012.

The 9.125% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 9.125% Notes are jointly and severally guaranteed by substantially all of our direct and indirect subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States. Interest on the 9.125% Notes is payable on April 1 and October 1 of each year. Debt issuance costs related to the 9.125% Notes of approximately \$11.6 million (\$7.6 million, net of amortization) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to April 1, 2013, we may redeem up to 35 percent of the aggregate principal amount of the 9.125% Notes at a redemption price of 109.125 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after April 1, 2014, we may redeem all or a part of the 9.125% Notes upon appropriate notice, at a redemption price of 104.563 percent of the principal amount, and beginning April 1, 2016 at redemption prices decreasing each year thereafter to par. If we experience certain changes in control, we must offer to repurchase the 9.125% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness; (v) create or incur liens; (vi) enter into sale and leaseback transactions; (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as Events of Default. These covenants are subject to a number of important exceptions and qualifications.

2.125% Convertible Senior Notes, due July 2012

On July 5, 2007, we issued \$125.0 million aggregate principal amount of 2.125% Notes. As noted above, on May 9, 2012, we repurchased \$122.9 million aggregate principal amount of the 2.125% Notes pursuant to a tender offer. The tender offer price was \$1,003.27 for each \$1,000 principal amount of 2.125% Notes, plus accrued and unpaid interest. This repurchase resulted in the recording of debt extinguishment costs of \$1.8 million related to the accelerated amortization of both the unamortized debt issuance costs and debt discount associated with the 2.125% Notes. The remaining \$2.1 million aggregate principal amount of non-tendered 2.125% Notes was subsequently paid off at their stated maturity on July 15, 2012.

Concurrently with the issuance of the 2.125% Notes, we purchased a convertible note hedge (note hedge) and sold warrants in private transactions with counterparties that were different than the ultimate holders of the 2.125% Notes. The note hedge allowed us to receive shares of our common stock from the counterparties to the transaction equal to the amount of common stock related to the excess conversion value that we would issue and/or pay to the holders of the 2.125% Notes upon conversion. The warrants allowed us to sell 9,027,713 common shares at a strike price of \$18.29 per share. The note hedge expired on July 15, 2012, the maturity date of the 2.125% Notes. The warrants expired ratably from October 15, 2012 to February 22, 2013.

Because we had the choice of settling the call options and the warrants in cash or shares of our common stock and these contracts met all of the applicable criteria for equity classification, the cost of the call options and proceeds from the sale of the warrants were classified in stockholders' equity in the consolidated condensed balance sheets. In addition, because both of these contracts are classified in stockholders' equity and were indexed solely to our common stock, they were not accounted for as derivatives.

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Debt issuance costs related to the 2.125% Notes of approximately \$3.6 million were amortized over the five year term of the 2.125% Notes using the effective interest method.

Amended and Restated Credit Agreement

On December 14, 2012, we entered into an Amended and Restated Credit Agreement (Credit Agreement) consisting of a senior secured \$80.0 million Revolver and senior secured term loan facility (Term Loan) of \$50.0 million. The Credit Agreement amended and restated our existing credit agreement dated May 15, 2008 (Existing Credit Agreement). We entered into the Credit Agreement to extend its maturity from May 14, 2013 to December 14, 2017 and to decrease the range of Applicable Rates under our Revolver. The Credit Agreement provides that, subject to certain conditions, including the approval of the Administrative Agent and the lenders' acceptance (or additional lenders being joined as new lenders), the amount of the Term Loan or Revolver can be increased by an additional \$50.0 million, so long as after giving effect to such increase, the Aggregate Commitments shall not be in excess of \$180.0 million.

Our obligations under the Credit Agreement are guaranteed by substantially all of our domestic subsidiaries, each of which has executed guaranty agreements; and are secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The Credit Agreement contains customary affirmative and negative covenants with which we were in compliance as of December 31, 2012 and December 31, 2011. The Credit Agreement terminates on December 14, 2017.

Revolver

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the Credit Agreement). Under the Existing Credit Agreement, the Applicable Rate varied from a rate per annum ranging from 2.75 percent to 3.25 percent for LIBOR rate loans and 1.75 percent to 2.25 percent for base rate loans. Revolving loans are available subject to a borrowing base calculation based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2012 and December 31, 2011. Letters of credit outstanding as of December 31, 2012 and December 31, 2011 totaled \$4.5 million and \$2.7 million, respectively.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and requires quarterly principal payments of \$2.5 million beginning March 31, 2013. Interest on the Term Loan accrues at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The Existing Credit Agreement required quarterly principal payments of \$6.0 million, and interest accrued at a Base Rate plus 2.25 percent or LIBOR plus 3.25 percent. The outstanding balance on the Term Loans at December 31, 2012 was \$50.0 million under the Credit Agreement. The outstanding balance under the then existing Credit Agreement as of December 31, 2011 was \$61.0 million.

Note 7—Derivative Financial Instruments

The Company entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the Credit Agreement. The two agreements fix the interest rate on a notional amount of \$73.0 million of borrowings at 3.878% for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decrease correspondingly with amortization of the Term Loan. We will not apply hedge accounting to the agreements and, accordingly, mark-to-market change in the fair value of the interest rate swaps are recognized in earnings. As of December 31, 2012, the fair value of the interest rate swap was a liability of \$0.1 million and is recorded in accrued liabilities in our consolidated balance sheets. For the year ended December 31, 2012, the Company recognized in earnings a \$0.1 million loss relating to these contracts.

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Note 8—Fair Value of Financial Instruments

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of FASB Accounting Standards Codification Topic No. 820, Fair Value Measurement and Disclosures (ASC 820) requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities inactive markets or identical assets or liabilities in less active markets and

Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The carrying amount of our interest rate swap agreements represents the estimated fair value, measured using Level 2 inputs. At each year ended December 31, 2012 and 2011, the carrying amount of our interest rate swap agreements was a liability of \$0.1 million, recorded in accrued liabilities and other long-term liabilities, respectively on our consolidated balance sheets.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments are as follows:

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt				
9.125% Notes	\$ 300,000	\$320,250	\$ 300,000	\$315,000
9.125% Notes	\$ 125,000	\$133,438		
2.125% Notes	—	—	125,000	123,204
Total	\$ 425,000	\$453,688	\$ 425,000	\$438,204

As discussed in Note 2, in accordance with the impairment or disposal of long-lived assets subsections of ASC 360-10, Property, Plant and Equipment, during the fourth quarter of 2011, our AADU assets with a carrying value as of December 31, 2011 of \$339.5 million were written down to their estimated fair value of \$169.5 million, resulting in a pretax non-cash charge of \$170.0 million which is included in earnings for the period. The fair value was based on expected future cash flows using Level 3 inputs.

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the year ended December 31, 2012.

Note 9 — Common Stock and Stockholders' Equity

Stock Plans — The Company's employee and non-employee director stock plans are summarized as follows:

The 2010 Long-Term Incentive Plan (2010 Plan) was approved by the stockholders at the Annual Meeting of Stockholders on May 7, 2010. The 2010 Plan authorizes the compensation committee or the board of directors to issue stock options, stock appreciation rights, RSAs, RSUs, performance-based awards and other types of

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awards in cash or stock to key employees, consultants, and directors. The maximum number of shares of our common stock that may be delivered pursuant to the awards granted under the 2010 Plan is 5,800,000 shares of common stock.

On September 17, 2012, Gary Rich was elected as President and Chief Executive Officer of the company. As part of his employment agreement, he was granted 349,651 restricted stock units, which were granted outside of the Company's 2010 Plan but are subject to substantially the same terms and conditions of other service-based restricted stock units granted by the Company to its executive officers.

The 2005 Long-Term Incentive Plan (2005 Plan) was approved by the stockholders at the Annual Meeting of Stockholders on April 27, 2005. The 2005 Plan authorizes the compensation committee or the board of directors to issue stock options, stock grants and various types of incentive awards in cash or stock to key employees, consultants and directors. During 2008, we obtained stockholder's approval to increase the total number of common shares available for future awards under the 2005 Plan. This amendment to the 2005 Plan was approved by stockholders at our Annual Meeting on March 21, 2008. No further grants can be made under this plan.

Information regarding the Company's Long-Term Incentive plans is summarized below:

<u>Nonvested Shares</u>	<u>Shares</u>	<u>Weighted Average Grant- Date Fair Value</u>
Nonvested at January 1, 2012	2,813,409	\$ 6.91
Granted	1,558,347	5.37
Vested	(1,472,233)	4.86
Forfeited	(505,626)	5.44
Nonvested at December 31, 2012	<u>2,393,897</u>	<u>\$ 5.22</u>

In 2012 and 2011, we issued 1,558,347 and 1,457,039, respectively, of restricted shares to selected key personnel. Total stock-based compensation expense recognized for the years ended December 31, 2012, 2011, and 2010 was \$7.2 million, \$5.9 million, and \$5.5 million, respectively, all of which was related to nonvested stock. The total fair value of the shares vested during the years ended December 31, 2012, 2011, and 2010 was \$7.2 million, \$6.9 million, and \$4.1 million, respectively. The fair value of RSA's and RSU's is determined based on the closing trading price of the company's shares on the grant date. The weighted-average grant-date fair value of shares granted during the years 2012, 2011, and 2010 was \$5.37, \$5.61, and \$4.54, respectively. Stock-based compensation expense is included in our consolidated statements of operations in both "General and administration expense" and "Operating expenses."

Nonvested RSAs and RSUs at December 31, 2012 totaled 2,393,897 shares and total unrecognized compensation cost related to unamortized nonvested stock awards was \$6.8 million as of December 31, 2012. The remaining unrecognized compensation cost related to non-vested stock awards will be amortized over a weighted-average vesting period of approximately 20.1 months.

During the year ended December 31, 2012, we granted to certain of our officers and key employees a total of 38,429 performance units under the 2010 Long Term Incentive Plan. Subsequent to the award of these performance units, 3,955 units were forfeited during 2012. During the year ended December 31, 2011, we granted to certain of our officers and key employees a total of 44,500 performance units under the 2010 Long Term Incentive Plan. Subsequent to the award of these performance units, 2,424 units were forfeited during 2011. Incentive grants included in this issuance were based on the attainment of pre-established performance goals. Each performance unit has a nominal value of \$100.00. Awards are dependent upon our total stockholder return and return on capital employed relative to a peer group of companies over a three-year performance period. A maximum of 200 percent of the number of performance units granted may be earned if performance at the maximum level is achieved. Performance units can be settled in cash or stock at the discretion of the compensation committee of the board of directors and are, therefore, accounted for as liability awards and remeasured at each reporting date until settlement. Compensation expense recognized related to the performance units for the years ended December 31, 2012, 2011, and 2010 was \$0.5 million, \$2.1 million, and \$2.7 million, respectively.

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As of December 31, 2012 and 2011, we had 7,657,479 and 8,669,723, respectively, common stock shares reserved for issuance. As of December 31, 2012 and 2011, we had no stock options outstanding or exercisable and we had 1,411,371 and 1,709,963 shares held in treasury stock, respectively.

Note 10 — Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings per Share (EPS)

	For the Year Ended December 31, 2012		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS	\$ 37,313,000	117,721,135	\$ 0.32
Effect of dilutive securities:			
Stock options and restricted stock		1,372,455	\$(0.01)
Diluted EPS	\$ 37,313,000	119,093,590	\$ 0.31
	For the Year Ended December 31, 2011		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS	\$(50,451,000)	116,081,590	\$(0.43)
Effect of dilutive securities:			
Stock options and restricted stock		—	\$ —
Diluted EPS:	\$(50,451,000)	116,081,590	\$(0.43)
	For the Year Ended December 31, 2010		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Basic EPS	\$(14,461,000)	114,258,965	\$(0.13)
Effect of dilutive securities:			
Stock options and restricted stock		—	\$ —
Diluted EPS:	\$(14,461,000)	114,258,965	\$(0.13)

For the year ended December 31, 2012, weighted-average shares outstanding used in our computation of diluted EPS includes the dilutive effect of potential common shares. For the years ended December 31, 2011, and 2010, all potential common shares have been excluded from the calculation of weighted-average shares outstanding used in our computation of diluted EPS as the company incurred a loss for each year, and therefore, inclusion of potential common shares in the calculation of diluted EPS would be anti-dilutive.

Note 11 — Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (Plan) in which substantially all U.S. employees are eligible to participate. The Company matches 100 percent of the first 4 percent and 50 percent of the next 2 percent of an employee's pre-tax contributions. The costs of our matching contributions to the Plan were \$2.8 million, \$2.4 million and \$2.4 million in 2012, 2011 and 2010, respectively. Employees become 100 percent vested in the employer match contributions immediately upon participation in the Plan. Coverage for office based employees begins on the date of hire. For rig-based and rental tools employees, coverage begins on the first of the month following completion of 30 calendar days of continuous full-time employment.

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Note 12 — Reportable Segments

We report our business activities in six business segments: (1) Rental tools, (2) U.S. barge drilling, (3) U.S. drilling, (4) International drilling, (5) Technical services, and (6) Construction contract. We eliminate inter-segment revenue and expenses. The following table represents the results of operations by reportable segment:

<u>Operations by Reportable Industry Segment:</u>	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(Dollars in Thousands)		
Revenues:			
Rental Tools(1)	\$ 246,900	\$ 237,068	\$172,598
U.S. Barge Drilling(1)	123,672	93,763	64,543
U.S. Drilling(1)(3)	1,387	—	—
International Drilling(1)	291,772	318,482	294,821
Technical Services(1)	14,251	27,695	36,423
Construction Contract(1)	—	9,638	91,090
Total revenues	<u>677,982</u>	<u>686,646</u>	<u>659,475</u>
Operating income:			
Rental Tools(2)	113,899	120,822	74,541
U.S. Barge Drilling(2)	39,774	11,116	(11,503)
U.S. Drilling(2)	(15,168)	(3,915)	(217)
International Drilling(2)	12,642	22,237	5,092
Technical Services(2)	(246)	5,335	5,052
Construction Contract(2)	—	771	202
Total operating gross margin	150,901	156,366	73,167
General and administrative expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	106,823	(42,639)	45,107
Interest expense	(33,542)	(22,594)	(26,805)
Changes in fair value of derivative positions	55	(110)	—
Loss on extinguishment of debt	(2,130)	—	(7,209)
Other	(229)	(69)	412
Income (loss) from continuing operations before income taxes	<u>\$ 70,977</u>	<u>\$ (65,412)</u>	<u>\$ 11,505</u>
	<u>2012</u>	<u>2011</u>	
Identifiable assets:			
Rental Tools	\$ 194,600	\$ 188,520	
U.S. Barge Drilling	99,409	108,396	
U.S. Drilling	374,794	265,166	
International Drilling	414,546	426,490	
Total identifiable assets	1,083,349	988,572	
Corporate and other assets(4)	172,384	227,674	
Total assets	<u>\$1,255,733</u>	<u>\$1,216,246</u>	

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- 1) In 2012, our two largest customers, Exxon Neftegas Limited (ENL) and Schlumberger, constituted approximately 12 percent and 10 percent, respectively, of our total consolidated revenues and approximately 27 percent and 24 percent of our International Drilling segment, respectively. In 2011, our largest customer, ENL constituted approximately 16 percent of our total revenues and approximately 34 percent of our International Drilling segment. In 2010, our two largest customers BP and ExxonMobil both accounted for approximately 12 percent of the Company's total revenues. In 2010, BP accounted for 90 percent of our construction contract segment revenues and ExxonMobil accounted for approximately 22 percent of our International Drilling segment and 7 percent of our Rental Tools segment.
- 2) Operating income is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- 3) As of December 31, 2011, this segment had not begun generating revenue.
- 4) This category includes corporate assets as well as minimal assets for our Technical Services segment primarily related to office furniture and fixtures.

<u>Operations by Reportable Industry Segment:</u>	<u>Year ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(Dollars in Thousands)		
Capital expenditures:			
Rental Tools	\$ 61,958	\$ 61,702	\$ 48,872
U.S. Barge Drilling	8,808	7,339	5,315
U.S. Drilling	86,786	99,915	113,177
International Drilling	15,240	15,011	50,482
Corporate	18,751	6,432	1,338
Total capital expenditures	<u>\$191,543</u>	<u>\$190,399</u>	<u>\$219,184</u>
Depreciation and amortization:			
Rental Tools	42,944	40,497	36,558
U.S. Barge Drilling	13,906	17,006	22,165
U.S. Drilling	7,011	2,223	—
International Drilling	45,967	48,965	52,429
Corporate and other (1)	3,189	3,445	3,878
Total depreciation and amortization	<u>\$113,017</u>	<u>\$112,136</u>	<u>\$115,030</u>

- 1) This category includes depreciation of corporate assets as well as minimal depreciation for our Technical Services segment primarily related to office furniture and fixtures.

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<u>Operations by Geographic Area:</u>	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(Dollars in Thousands)		
Revenues:			
Africa and Middle East	\$ 26,528	\$ 6,774	\$ 22,621
Asia Pacific	39,400	38,477	26,416
CIS	122,304	176,421	149,963
Latin America	103,540	96,810	103,885
United States	386,210	368,164	356,590
Total revenues	<u>677,982</u>	<u>686,646</u>	<u>659,475</u>
Operating gross margin:			
Africa and Middle East(1)	(2,234)	(6,383)	659
Asia Pacific(1)	(927)	1,933	2,374
CIS(1)	6,840	26,402	8,139
Latin America(1)	8,990	377	1,210
United States(1)	138,232	134,037	60,785
Total operating gross margin	<u>150,901</u>	<u>156,366</u>	<u>73,167</u>
General and administrative expense	(46,052)	(31,314)	(30,728)
Impairments and other charges	—	(170,000)	—
Provision for reduction in carrying value of certain assets	—	(1,350)	(1,952)
Gain on disposition of assets, net	1,974	3,659	4,620
Total operating income (loss)	<u>106,823</u>	<u>(42,639)</u>	<u>45,107</u>
Interest expense	(33,542)	(22,594)	(26,805)
Changes in fair value of derivative positions	55	(110)	—
Loss on extinguishment of debt	(2,130)	—	(7,209)
Other	(229)	(69)	412
Income (loss) from continuing operations before income taxes	<u>\$ 70,977</u>	<u>\$ (65,412)</u>	<u>\$ 11,505</u>
Long-lived assets:(2)			
Africa and Middle East	\$ 25,032	\$ 28,427	
Asia Pacific	15,723	18,300	
CIS	106,774	119,282	
Latin America	63,899	57,710	
United States	574,730	496,090	
Total long-lived assets	<u>\$786,158</u>	<u>\$ 719,809</u>	

- 1) Operating income is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- 2) Long-lived assets primarily consist of property, plant and equipment, net and exclude assets held for sale, if any.

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Note 13 — Commitments and Contingencies

The Company has various lease agreements for office space, equipment, vehicles and personal property. These obligations extend through 2013 and are typically non-cancelable. Most leases contain renewal options and certain of the leases contain escalation clauses. Future minimum lease payments at December 31, 2012, under operating leases with non-cancelable terms are as follows:

	<u>Year Ended</u> <u>December 31,</u> <u>(Dollars in Thousands)</u>
2013	6,734
2014	4,134
2015	3,851
2016	2,742
2017	2,092
Thereafter	8,209
Total	<u>\$ 27,762</u>

Total rent expense for all operating leases amounted to \$11.8 million for 2012, \$12.1 million for 2011 and \$12.0 million for 2010.

We are self-insured for certain losses relating to workers' compensation, employers' liability, general liability (for onshore liability), protection and indemnity (for offshore liability) and property damage. Our exposure (that is, the retention or deductible) per occurrence is \$250,000 for worker's compensation, employer's liability, general liability, protection and indemnity and maritime employers' liability (Jones Act). In addition, we assume a \$500,000 annual aggregate deductible for protection and indemnity and maritime employers' liability claims. The annual aggregate deductible is reduced by every dollar that exceeds the \$250,000 per occurrence retention. We continue to assume a retention of \$250,000 for workers' compensation, employers' liability, and general liability losses and a \$100,000 deductible for auto liability claims. For all primary insurances mentioned above, the Company has excess coverage for those claims that exceed the retention and annual aggregate deductible. We maintain actuarially-determined accruals in our consolidated balance sheets to cover the self-insurance retentions.

We have self-insured retentions for certain other losses relating to rig, equipment, property, business interruption and political, war, and terrorism risks which vary according to the type of rig and line of coverage. Political risk insurance is procured for international operations. However, this coverage may not adequately protect us against liability from all potential consequences.

As of December 31, 2012 and 2011, our gross self-insurance accruals for workers' compensation, employers' liability, general liability, protection and indemnity and maritime employers' liability totaled \$4.7 million and \$6.6 million, respectively and the related insurance recoveries/receivables were \$1.2 million and \$1.9 million, respectively.

We have entered into employment agreements with terms of one to two years with certain members of management with automatic one year renewal periods at expiration dates. The agreements provide for, among other things, compensation, benefits and severance payments. The employment agreements also provide for lump sum compensation and benefits in the event of termination within two years following a change in control of the Company.

We are a party to various lawsuits and claims arising out of the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount or range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of

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lawsuits and claims, the ultimate outcome may differ significantly from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

Asbestos-Related Claims

We are from time to time a party to various lawsuits that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At December 31, 2012, there were approximately 15 of these lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the State of Mississippi.

The subsidiaries named in these asbestos-related lawsuits intend to defend themselves vigorously and, based on the information available to us at this time, we do not expect the outcome to have a material adverse effect on our financial condition, results of operations or cash flows. However, we are unable to predict the ultimate outcome of these lawsuits. No amounts were accrued at December 31, 2012.

Gulfco Site

In 2003, we received an information request under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) designating Parker Drilling Offshore Corporation, a subsidiary of Parker Drilling, as a potentially responsible party with respect to the Gulfco Marine Maintenance, Inc. Superfund Site in Freeport, Texas (EPA No. TX 055144539). We responded to this request and in January 2008 received an administrative order to participate in an investigation of the site and a study of the remediation needs and alternatives. The EPA alleges that our subsidiary is a successor to a party who owned the Gulfco site during the time when chemical releases took place there. In December 2010, we entered into an agreement with two other potentially responsible parties, pursuant to which we agreed to pay 20 percent of past and future costs to study and remediate the site. The EPA also issued notice letters to several other parties who may also participate in funding the site remediation costs. As of December 31, 2012, the Company had made certain participating payments and had accrued \$0.7 million for our portion of certain unreimbursed past costs and the estimated future cost of remediation. To date, we believe that all required activity for removal and remediation has been completed, except for ongoing monitoring costs, and we are awaiting a Notice of Completion from the EPA.

Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation

As previously disclosed, we have engaged in settlement discussions with the United States Department of Justice (DOJ) and the United States Securities and Exchange Commission (SEC) related to parallel investigations that they conducted regarding possible violations of U.S. law, including the FCPA, by us. In particular, the DOJ and the SEC investigated certain of our operations relating to countries in which we currently operate or formerly operated, including Kazakhstan and Nigeria. We fully cooperated with the DOJ and SEC investigations and conducted an internal investigation into potential customs and other issues in Kazakhstan and Nigeria. Subject to court and regulatory approvals, we have reached agreement in principle regarding a proposed settlement of these matters with the DOJ and the staff of the SEC.

Under the terms of the proposed resolution with the DOJ, it is expected that the Company would enter into a deferred prosecution agreement (DPA), under which the DOJ would defer for three years prosecuting the Company for criminal violations of the anti-bribery provisions of the FCPA relating to the Company's retention and use of an individual agent in Nigeria with respect to certain customs-related issues, in return for: (i) the Company's acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations to be filed in a United States District Court concurrently with the DPA; (ii) the Company's payment of an approximately \$11.76 million fine; (iii) the Company's reaffirming its commitment to compliance with the FCPA and other applicable anti-corruption laws in connection with the Company's operations, and continuing cooperation with domestic and foreign authorities in connection with the matters that

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are the subject of the DPA; (iv) the Company's commitment to continue to address any identified areas for improvement in the Company's internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws if, and to the extent, not already addressed; and (v) the Company's agreement to report to the DOJ in writing annually during the term of the DPA regarding remediation of the matters that are the subject of the DPA, implementation of any enhanced internal controls, and any evidence of improper payments the Company may have discovered during the term of the agreement. If the Company remains in compliance with the terms of the DPA throughout its effective period, the charge against the Company would be dismissed with prejudice.

Under the terms of the proposed resolution with SEC, the staff of the SEC has agreed to recommend to its governing Commission that the SEC enter into a settlement with the Company, pursuant to which the SEC will file a civil complaint in a United States District Court charging the Company with violations of the anti-bribery, books and records and internal control provisions of the FCPA, and the Company would consent to the entry of a final judgment of permanent injunction barring future violations of the anti-bribery, books and records and internal controls provisions of the FCPA. The Company also would agree to the payment of disgorgement of approximately \$3.05 million and prejudgment interest of approximately \$1.04 million, for a total of approximately \$4.09 million. The proposed agreement with the SEC would not require the payment of a civil monetary fine, and neither the proposed agreement with the DOJ nor the proposed agreement with the SEC would require the appointment of a monitor to oversee the Company's activities or compliance with applicable laws.

The agreement in principle is contingent upon the parties' preparation and agreement on the language of the settlement documents, approval of the civil settlement by the SEC's governing Commission and by a United States District Court. There can be no assurance that this proposed settlement will be finalized, or finalized on the terms currently agreed in principle, and we cannot provide assurances regarding if and when the court and/or the SEC's governing Commission will approve the settlement.

If one or both of these approvals do not occur, the Company may enter further discussions with the DOJ and/or the SEC to resolve the investigated matters on different terms and conditions; such terms and conditions could include any of a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, which they may seek to impose against corporations and individuals in appropriate circumstances. These include, but are not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. Any such disgorgement, fines, penalties, interest or other associated costs could be materially higher than the amounts that we have currently accrued. The DOJ and the SEC have entered into agreements with, and obtained a range of sanctions against, several public corporations and individuals arising from allegations of improper payments and deficiencies in books and records and internal controls, whereby civil and criminal penalties were imposed. Recent civil and criminal settlements have included multi-million dollar fines, deferred prosecution agreements, guilty pleas, and other sanctions, including the requirement that the relevant corporation retain a monitor to oversee its compliance with the FCPA. In addition, corporations may have to end or modify existing business relationships. The Company could also face fines, sanctions and other penalties imposed by other regulatory authorities or in other legal actions. Any such fines, sanctions or penalties could impact the Company's business operations and assets, particularly in jurisdictions outside the United States, and could have a material adverse impact on our business, results of operations, financial condition and liquidity.

As previously disclosed, we have taken and continue to take certain steps to enhance our existing anti-bribery compliance efforts, including retaining a full-time Chief Compliance Officer who reports to the Chief Executive Officer and Audit Committee and full-time staff to assist him; adopting revised FCPA policies, procedures, and controls; increasing training and testing requirements; strengthening contractual provisions for our service providers that interface with foreign government officials; improving due diligence and continuing oversight procedures for the review and selection of such service providers; and implementing a compliance awareness improvement initiative that includes issuance of periodic anti-bribery compliance alerts. We will continue to emphasize the importance of compliance and ethical business conduct.

The Company recorded a charge of \$15.85 million associated with the proposed settlement with the DOJ and SEC for the fourth quarter of 2012. Such charge, which is included in general and administrative expenses, is subject to change based on the results of any final settlement with DOJ and SEC relating to these matters.

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Demand Letter and Derivative Litigation

In April 2010, we received a demand letter from a law firm representing Ernest Maresca. The letter states that Mr. Maresca is one of our stockholders and that he believes that certain of our current and former officers and directors violated their fiduciary duties related to the issues described above under “Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation.” The letter requests that our Board of Directors take action against the individuals in question. In response to this letter, the Board formed a special committee to evaluate the issues raised by the letter and determine a course of action for the Company, and such committee’s work is ongoing.

On August 31, 2010, Douglas Freuler, a purported stockholder of the Company, filed a derivative action in the United States District Court for the Southern District of Texas against our current directors, select officers, and the Company as a nominal defendant. The lawsuit alleges that the individuals breached their fiduciary duties to the Company related to the issues described above under “Customs Agent and Foreign Corrupt Practices Act (FCPA) Investigation,” as well as abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment. The damages sought included both compensatory and exemplary damages in an unspecified amount, along with various other forms of relief and an award of attorney fees, other costs, and expenses to the plaintiffs. Defendants’ motions to dismiss the amended complaint were granted on June 30, 2011, and plaintiff was given thirty days to replead. Mr. Freuler filed his second amended complaint on July 20, 2011. Defendants’ motions to dismiss the second amended complaint were granted on March 14, 2012. The matter is now on appeal before the U.S. Court of Appeals for the Fifth Circuit, and oral argument in the matter will be heard on March 5, 2013.

Note 14 — Related Party Transactions

Consulting Agreement

The Company was a party to a consulting agreement with Robert L. Parker Sr., the former Chairman of the Board of Directors of the Company and the father of our current Executive Chairman, Robert L. Parker Jr. The consulting agreement expired on April 30, 2011. Under the agreement, Mr. Parker Sr. was paid consulting fees of \$40,000, and \$123,750 in the years ending December 31, 2011 and 2010, respectively. For one year after the termination of the consulting agreement, Mr. Parker Sr. was prohibited from soliciting business from any of our customers or individuals with which we have done business, from becoming interested in any business that competes with the Company, and from recruiting any employees of the Company. Under the consulting agreement, Mr. Parker Sr. also represented the Company on the U.S.-Kazakhstan Business Council. In addition, we pay a monthly rental fee to Mr. Parker Sr. for various pieces of artwork which are displayed throughout our corporate office. In 2012, 2011, and 2010 we paid Mr. Parker \$36,000, \$36,000, and \$30,000, respectively for the artwork rental.

Effective January 1, 2012, the Company entered into two separate ranch lease agreements under which the Company agreed to pay a daily usage fee per person for utilization of the Cypress Springs Ranch owned by the Robert L. Parker, Sr. and Catherine M. Parker Family Limited Partnership and the Camp Verde Ranch owned by Robert L. Parker, Jr. During 2012, the Company incurred fees of \$39,875 and \$1,650 for the Cypress Springs Ranch and Camp Verde Ranch, respectively, pursuant to the ranch lease agreements for the right to utilize the premises of the ranches for the purpose of hosting business meetings.

Other Related Party Agreements

During 2012 and 2011, one of the Company’s directors held executive positions at Apache Corporation (Apache), including the positions of President and Chief Corporate Officer, Executive Vice President and Chief Financial Officer and Chief Corporate Officer. During 2012 and 2011, affiliates of Apache paid affiliates of the Company a total of \$31.2 million and \$22.7 million, respectively, for performance of drilling services and provision of rental tools. This information is considered and discussed annually in connection with the Board of Directors’ assessment of facts and circumstances that could preclude a determination that such director is independent under the New York Stock Exchange governance listing standards.

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Note 15 — Supplementary Information

At December 31, 2012, accrued liabilities included \$1.6 million of deferred mobilization fees, \$9.7 million of accrued interest expense, \$2.3 million of worker's compensation liabilities and \$26.0 million of accrued payroll and payroll taxes. Other long-term obligations included \$2.5 million of workers' compensation liabilities as of December 31, 2012.

At December 31, 2011, accrued liabilities included \$2.2 million of deferred mobilization fees, \$8.1 million of accrued interest expense, \$3.0 million of worker's compensation liabilities and \$26.8 million of accrued payroll and payroll taxes. Other long-term obligations included \$3.6 million of workers' compensation liabilities as of December 31, 2011.

Note 16 — *Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements*

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. The Company's 9.125% Notes are guaranteed by substantially all of the restricted subsidiaries of Parker Drilling. There are currently no restrictions on the ability of the restricted subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the company complies with the exception to Rule 3-10(a)(1) of Regulation S-X, set forth in sub-paragraph (f) of such rule. All guarantor subsidiaries are owned 100 percent by the parent company, all guarantees are full and unconditional and all guarantees are joint and several.

We are providing consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of December 31, 2012 and December 31, 2011 and for the years ended December 31, 2012, 2011, and 2010. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Year ended December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$393,959	\$385,279	\$ (101,256)	\$ 677,982
Operating expenses	—	185,328	329,992	(101,256)	414,064
Depreciation and amortization	—	65,354	47,663	—	113,017
Total operating gross margin	—	143,277	7,624	—	150,901
General and administration expense (1)	(182)	(45,433)	(437)	—	(46,052)
Gain on disposition of assets, net	—	775	1,199	—	1,974
Total operating income (loss)	(182)	98,619	8,386	—	106,823
Other income and (expense):					
Interest expense	(37,326)	(151)	(8,739)	12,674	(33,542)
Changes in fair value of derivative positions	55	—	—	—	55
Interest income	9,863	5,073	41,999	(56,782)	153
Loss on extinguishment of debt	(2,130)	—	—	—	(2,130)
Other	—	(370)	(12)	—	(382)
Equity in net earnings of subsidiaries	43,884	—	—	(43,884)	—
Total other income (expense)	14,346	4,552	33,248	(87,992)	(35,846)
Income (benefit) before income taxes	14,164	103,171	41,634	(87,992)	70,977
Income tax expense (benefit):					
Current	(25,406)	32,781	10,667	—	18,042
Deferred	2,257	15,429	(1,849)	—	15,837
Income tax expense (benefit)	(23,149)	48,210	8,818	—	33,879
Net income (loss)	37,313	54,961	32,816	(87,992)	37,098
Less: Net (loss) attributable to noncontrolling interest	—	—	(215)	—	(215)
Net income (loss) attributable to controlling interest	\$ 37,313	\$ 54,961	\$ 33,031	\$ (87,992)	\$ 37,313

(1) General and administration expenses for field operations are included in operating expenses.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Year ended December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 376,229	\$426,491	\$(116,074)	\$ 686,646
Operating expenses	—	175,465	358,753	(116,074)	418,144
Depreciation and amortization	—	62,744	49,392	—	112,136
Total operating gross margin	—	138,020	18,346	—	156,366
General and administration expense (1)	(218)	(30,859)	(237)	—	(31,314)
Impairment and other charges	—	(170,000)	—	—	(170,000)
Provision for reduction in carrying value of certain assets	—	(1,350)	—	—	(1,350)
Gain on disposition of assets, net	—	2,706	953	—	3,659
Total operating income (loss)	(218)	(61,483)	19,062	—	(42,639)
Other income and (expense):					
Interest expense	(26,654)	(17,889)	(8,865)	30,814	(22,594)
Changes in fair value of derivative positions	(110)	—	—	—	(110)
Interest income	18,131	750	12,189	(30,814)	256
Other	—	(345)	20	—	(325)
Equity in net earnings of subsidiaries	(23,484)	—	—	23,484	—
Total other income and (expense)	(32,117)	(17,484)	3,344	23,484	(22,773)
Income (benefit) before income taxes	(32,335)	(78,967)	22,406	23,484	(65,412)
Income tax expense (benefit):					
Current	(13,402)	27,169	19,841	—	33,608
Deferred	31,518	(57,030)	(22,863)	—	(48,375)
Total income tax expense (benefit)	18,116	(29,861)	(3,022)	—	(14,767)
Net income (loss)	(50,451)	(49,106)	25,428	23,484	(50,645)
Less: Net (loss) attributable to noncontrolling interest	—	—	(194)	—	(194)
Net income (loss) attributable to controlling interest	\$(50,451)	\$ (49,106)	\$ 25,622	\$ 23,484	\$ (50,451)

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Twelve months ended December 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$366,947	\$401,617	\$(109,089)	\$ 659,475
Operating expenses	—	237,584	342,783	(109,089)	471,278
Depreciation and amortization	—	63,402	51,628	—	115,030
Total operating gross margin	—	65,961	7,206	—	73,167
General and administration expense (1)	(225)	(30,193)	(310)	—	(30,728)
Provision for reduction in carrying value of certain assets	—	(1,952)	—	—	(1,952)
Gain on disposition of assets, net	—	2,067	2,553	—	4,620
Total operating income (loss)	(225)	35,883	9,449	—	45,107
Other income and (expense):					
Interest expense	(30,771)	(35,640)	(16,185)	55,791	(26,805)
Interest income	42,000	757	23,291	(65,791)	257
Loss on extinguishment of debt	(7,209)	—	—	—	(7,209)
Other	—	88	67	—	155
Equity in net earnings of subsidiaries	(22,962)	—	—	22,962	—
Total other income and (expense)	(18,942)	(34,795)	7,173	12,962	(33,602)
Income (benefit) before income taxes	(19,167)	1,088	16,622	12,962	11,505
Income tax expense (benefit):					
Current	139	(189)	27,571	—	27,521
Deferred	(4,845)	2,323	1,214	—	(1,308)
Total income tax expense (benefit)	(4,706)	2,134	28,785	—	26,213
Net income (loss)	(14,461)	(1,046)	(12,163)	12,962	(14,708)
Less: Net (loss) attributable to noncontrolling interest	—	—	(247)	—	(247)
Net income (loss) attributable to controlling interest	\$(14,461)	\$ (1,046)	\$(11,916)	\$ 12,962	\$ (14,461)

(1) General and administration expenses for field operations are included in operating expenses.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 42,251	\$ 11,023	\$ 34,612	\$ —	\$ 87,886
Accounts and notes receivable, net	289,957	98,747	292,644	(512,786)	168,562
Rig materials and supplies	—	2,834	26,026	—	28,860
Deferred costs	—	—	1,089	—	1,089
Deferred income taxes	—	7,615	1,127	—	8,742
Other tax assets	46,249	(31,136)	18,411	—	33,524
Assets held for sale	—	—	11,550	—	11,550
Other current assets	—	8,675	4,146	—	12,821
Total current assets	378,457	97,758	389,605	(512,786)	353,034
Property, plant and equipment, net	60	548,794	237,304	—	786,158
Investment in subsidiaries and intercompany advances	780,878	(233,388)	1,467,429	(2,014,919)	—
Other noncurrent assets	43,569	59,541	13,431	—	116,541
Total assets	\$1,202,964	\$ 472,705	\$2,107,769	\$(2,527,705)	\$1,255,733
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 10,000	\$ —	\$ —	\$ —	\$ 10,000
Accounts payable and accrued liabilities	65,839	93,243	205,864	(227,200)	137,746
Accrued income taxes	—	612	3,508	—	4,120
Total current liabilities	75,839	93,855	209,372	(227,200)	151,866
Long-term debt	469,205	—	—	—	469,205
Other long-term liabilities	3,933	6,129	13,120	—	23,182
Long-term deferred tax liability	—	36,894	(16,047)	—	20,847
Intercompany payables	62,583	43,657	216,320	(322,560)	—
Contingencies	—	—	—	—	—
Stockholders' equity:					
Common stock	19,818	18,049	43,003	(61,052)	19,818
Capital in excess of par value	646,217	733,112	1,455,246	(2,188,358)	646,217
Retained earnings (accumulated deficit)	(74,631)	(458,991)	187,526	271,465	(74,631)
Total controlling interest stockholders' equity	591,404	292,170	1,685,775	(1,977,945)	591,404
Noncontrolling interest	—	—	(771)	—	(771)
Total Equity	591,404	292,170	1,685,004	(1,977,945)	590,633
Total liabilities and stockholders' equity	\$1,202,964	\$ 472,705	\$2,107,769	\$(2,527,705)	\$1,255,733

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 55,670	\$ 4,212	\$ 37,987	\$ —	\$ 97,869
Accounts and notes receivable, net	289,512	94,748	285,326	(485,663)	183,923
Rig materials and supplies	—	762	29,185	—	29,947
Deferred costs	—	—	3,249	—	3,249
Deferred income taxes	—	5,311	853	486	6,650
Other tax assets	47,834	(25,218)	2,742	—	25,358
Assets held for sale	—	—	5,315	—	5,315
Other current assets	788	6,381	8,133	—	15,302
Total current assets	393,804	86,196	372,790	(485,177)	367,613
Property, plant and equipment, net	79	474,942	244,787	1	719,809
Investment in subsidiaries and intercompany advances	720,214	(212,883)	1,347,719	(1,855,050)	—
Other noncurrent assets	44,962	66,660	16,839	363	128,824
Total assets	\$1,159,059	\$ 414,915	\$1,982,135	\$(2,339,863)	\$1,216,246
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 145,723	\$ —	\$ —	\$ —	\$ 145,723
Accounts payable and accrued liabilities	60,120	94,056	181,010	(199,936)	135,250
Accrued income taxes	(205)	921	4,121	—	4,837
Total current liabilities	205,638	94,977	185,131	(199,936)	285,810
Long-term debt	337,000	—	—	—	337,000
Other long-term liabilities	8,081	9,474	15,897	—	33,452
Long-term deferred tax liability	1,151	25,232	(11,296)	847	15,934
Intercompany payables	62,583	43,657	111,619	(217,859)	—
Contingencies	—	—	—	—	—
Stockholders' equity:					
Common stock	19,508	18,049	43,003	(61,052)	19,508
Capital in excess of par value	637,042	733,120	1,444,091	(2,177,211)	637,042
Retained earnings (accumulated deficit)	(111,944)	(509,594)	194,246	315,348	(111,944)
Total controlling interest stockholders' equity	544,606	241,575	1,681,340	(1,922,915)	544,606
Noncontrolling interest	—	—	(556)	—	(556)
Total Equity	544,606	241,575	1,680,784	(1,922,915)	544,050
Total liabilities and stockholders' equity	\$1,159,059	\$ 414,915	\$1,982,135	\$(2,339,863)	\$1,216,246

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 37,313	\$ 54,961	\$ 32,816	\$ (87,992)	\$ 37,098
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	65,354	47,663	—	113,017
Loss on extinguishment of debt	2,130	—	—	—	2,130
Gain on disposition of assets	—	(775)	(1,199)	—	(1,974)
Deferred income tax expense	2,257	15,429	(1,849)	—	15,837
Expenses not requiring cash	16,558	33,644	(27,602)	—	22,600
Equity in net earnings of subsidiaries	(43,884)	—	—	43,884	—
Change in accounts receivable	(445)	(1,788)	17,474	—	15,241
Change in other assets	1,649	2,060	(9,200)	—	(5,491)
Change in accrued income taxes	(4,055)	220	(2,267)	—	(6,102)
Change in liabilities	3,914	(4,158)	(2,413)	—	(2,657)
Net cash provided by (used in) operating activities	<u>15,437</u>	<u>164,947</u>	<u>53,423</u>	<u>(44,108)</u>	<u>189,699</u>
Cash flows from investing activities:					
Capital expenditures	—	(176,333)	(15,210)	—	(191,543)
Proceeds from the sale of assets	—	2,062	1,875	—	3,937
Proceeds from insurance settlements	—	—	—	—	—
Intercompany dividend payment	(8,387)	(4,357)	(31,364)	44,108	—
Net cash (used in) investing activities	<u>(8,387)</u>	<u>(178,628)</u>	<u>(44,699)</u>	<u>44,108</u>	<u>(187,606)</u>
Cash flows from financing activities:					
Proceeds from debt issuance	130,000	—	—	—	130,000
Proceeds from draw on revolver credit facility	7,000	—	—	—	7,000
Paydown on senior notes	(125,000)	—	—	—	(125,000)
Paydown on term note	(18,000)	—	—	—	(18,000)
Paydown on revolver credit facility	—	—	—	—	—
Payment of debt issuance costs	(4,859)	—	—	—	(4,859)
Payment of debt extinguishment costs	(555)	—	—	—	(555)
Proceeds from stock options exercised	—	—	—	—	—
Excess tax benefit from stock-based compensation	(662)	—	—	—	(662)
Intercompany advances, net	(8,393)	20,492	(12,099)	—	—
Net cash provided by (used in) financing activities	<u>(20,469)</u>	<u>20,492</u>	<u>(12,099)</u>	<u>—</u>	<u>(12,076)</u>
Net change in cash and cash equivalents	(13,419)	6,811	(3,375)	—	(9,983)
Cash and cash equivalents at beginning of year	55,670	4,212	37,987	—	97,869
Cash and cash equivalents at end of year	<u>\$ 42,251</u>	<u>\$ 11,023</u>	<u>\$ 34,612</u>	<u>\$ —</u>	<u>\$ 87,886</u>

See accompanying notes to unaudited consolidated condensed financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2011				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (50,451)	\$ (49,106)	\$ 25,428	\$ 23,484	\$ (50,645)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	62,744	49,392	—	112,136
Loss on extinguishment of debt	—	—	—	—	—
Gain on disposition of assets	—	(2,706)	(953)	—	(3,659)
Deferred income tax expense	31,518	(57,030)	(22,863)	—	(48,375)
Impairment and other charges	—	170,000	—	—	170,000
Provision for reduction in carrying value of certain assets	—	1,350	—	—	1,350
Expenses not requiring cash	16,411	376	(3,954)	—	12,833
Equity in net earnings of subsidiaries	23,484	—	—	(23,484)	—
Change in accounts receivable	(288,333)	347,344	(65,852)	—	(6,841)
Change in other assets	62,173	(16,724)	16,404	—	61,853
Change in liabilities	(10,454)	(53,404)	41,091	—	(22,767)
Net cash provided by (used in) operating activities	<u>(215,652)</u>	<u>402,844</u>	<u>38,693</u>	<u>—</u>	<u>225,885</u>
Cash flows from investing activities:					
Capital expenditures	—	(174,999)	(15,400)	—	(190,399)
Proceeds from the sale of assets	—	4,335	1,200	—	5,535
Proceeds from insurance settlements	—	250	—	—	250
Intercompany dividend payment	—	—	—	—	—
Net cash provided by (used in) investing activities	<u>—</u>	<u>(170,414)</u>	<u>(14,200)</u>	<u>—</u>	<u>(184,614)</u>
Cash flows from financing activities:					
Proceeds from debt issuance	50,000	—	—	—	50,000
Proceeds from draw on revolver credit facility	—	—	—	—	—
Paydown on senior notes	—	—	—	—	—
Paydown on term note	(21,000)	—	—	—	(21,000)
Paydown on revolver credit facility	(25,000)	—	—	—	(25,000)
Payment of debt issuance costs	(504)	—	—	—	(504)
Payment of debt extinguishment costs	—	—	—	—	—
Proceeds from stock options exercised	183	—	—	—	183
Excess tax benefit from stock-based compensation	1,488	—	—	—	1,488
Intercompany advances, net	252,320	(230,535)	(21,785)	—	—
Net cash provided by (used in) financing activities	<u>257,487</u>	<u>(230,535)</u>	<u>(21,785)</u>	<u>—</u>	<u>5,167</u>
Net change in cash and cash equivalents	41,835	1,895	2,708	—	46,438
Cash and cash equivalents at beginning of year	13,835	2,317	35,279	—	51,431
Cash and cash equivalents at end of year	<u>\$ 55,670</u>	<u>\$ 4,212</u>	<u>\$ 37,987</u>	<u>\$ —</u>	<u>\$ 97,869</u>

See accompanying notes to unaudited consolidated condensed financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Year Ended December 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (14,461)	\$ (1,046)	\$(12,163)	\$ 12,962	\$ (14,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	63,402	51,628	—	115,030
Loss on extinguishment of debt	7,209	—	—	—	7,209
Gain on disposition of assets	—	(2,067)	(2,553)	—	(4,620)
Deferred income tax expense	(4,845)	2,323	1,214	—	(1,308)
Provision for reduction in carrying value of certain assets	—	1,952	—	—	1,952
Expenses not requiring cash	14,829	—	—	—	14,829
Equity in net earnings of subsidiaries	22,962	—	—	(22,962)	—
Change in accounts receivable	16,178	(14,763)	19,337	—	20,752
Change in other assets	(2,505)	(13,454)	15,365	—	(594)
Change in liabilities	(144)	7,793	(22,641)	—	(14,992)
Net cash provided by (used in) operating activities	<u>39,223</u>	<u>44,140</u>	<u>50,187</u>	<u>(10,000)</u>	<u>123,550</u>
Cash flows from investing activities:					
Capital expenditures	—	(169,784)	(49,400)	—	(219,184)
Proceeds from the sale of assets	—	4,646	1,829	—	6,475
Intercompany dividend payment	—	—	(10,000)	10,000	—
Net cash provided by (used in) investing activities	<u>—</u>	<u>(165,138)</u>	<u>(57,571)</u>	<u>10,000</u>	<u>(212,709)</u>
Cash flows from financing activities:					
Proceeds from debt issuance	300,000	—	—	—	300,000
Proceeds from draw on revolver credit facility	25,000	—	—	—	25,000
Paydown on senior notes	(225,000)	—	—	—	(225,000)
Paydown on term note	(12,000)	—	—	—	(12,000)
Paydown on revolver credit facility	(42,000)	—	—	—	(42,000)
Payment of debt issuance costs	(7,976)	—	—	—	(7,976)
Payment of debt extinguishment costs	(7,466)	—	—	—	(7,466)
Proceeds from stock options exercised	26	—	—	—	26
Excess tax benefit from stock-based compensation	1,203	—	—	—	1,203
Intercompany advances, net	(115,364)	121,547	(6,183)	—	—
Net cash provided by (used in) financing activities	<u>(83,577)</u>	<u>121,547</u>	<u>(6,183)</u>	<u>—</u>	<u>31,787</u>
Net change in cash and cash equivalents	(44,354)	549	(13,567)	—	(57,372)
Cash and cash equivalents at beginning of year	58,189	1,768	48,846	—	108,803
Cash and cash equivalents at end of year	<u>\$ 13,835</u>	<u>\$ 2,317</u>	<u>\$ 35,279</u>	<u>\$ —</u>	<u>\$ 51,431</u>

See accompanying notes to unaudited consolidated condensed financial statements.

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Note 17 — Selected Quarterly Financial Data

<u>Year 2012</u>	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts)				
	(Unaudited)				
Revenues	\$176,569	\$178,925	\$165,301	\$ 157,187	\$677,982
Operating gross margin(2)	\$ 54,018	\$ 46,440	\$ 34,038	\$ 16,405	\$150,901
Operating income	\$ 49,013	\$ 40,388	\$ 25,739	\$ (8,317)	\$106,823
Net income (loss) attributable to controlling interest	\$ 26,392	\$ 20,083	\$ 10,936	\$ (20,098)	\$ 37,313
Basic earnings per share — net income (loss)(1)	\$ 0.23	\$ 0.17	\$ 0.09	\$ (0.17)	\$ 0.32
Diluted earnings per share — net income (loss)(1)	\$ 0.22	\$ 0.17	\$ 0.09	\$ (0.17)	\$ 0.31

<u>Year 2011</u>	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts)				
	(Unaudited)				
Revenues	\$156,179	\$172,812	\$176,589	\$ 181,066	\$686,646
Operating gross margin(2)	\$ 21,204	\$ 40,797	\$ 49,966	\$ 44,399	\$156,366
Operating income	\$ 15,402	\$ 33,215	\$ 41,959	\$ (133,215)	\$ (42,639)
Net income (loss) attributable to controlling interest	\$ 4,827	\$ 14,173	\$ 20,725	\$ (90,176)	\$ (50,451)
Basic earnings per share — net income (loss)(1)	\$ 0.04	\$ 0.12	\$ 0.18	\$ (0.77)	\$ (0.43)
Diluted earnings per share — net income (loss)(1)	\$ 0.04	\$ 0.12	\$ 0.18	\$ (0.77)	\$ (0.43)

- 1) As a result of shares issued during the year, earnings per share for each of the year's four quarters, which are based on weighted average shares outstanding during each quarter, may not equal the annual earnings per share, which is based on the weighted average shares outstanding during the year. Additionally, as a result of rounding to the thousands, revenues, operating gross margin, operating income, and net income (loss) attributable to controlling interest may not equal the 2012 year to date results.
- 2) As the Company modified our reporting segments to be consistent with recent organizational changes to improve our drilling organization, expenses related to our U.S. Barge Drilling segment were found to be incorrectly included in our general and administrative expense during the first through third quarters of the current year. These expenses have been appropriately reclassified to be included as part of the segment operating expenses, therefore our operating gross margin for each of the first three quarters will not agree to the respective 10-Q reports for the current year only.

Note 18 — Recent Accounting Pronouncements

Revenue Recognition — On January 1, 2011, we adopted an update issued by the Financial Accounting Standards Board (FASB) to existing guidance on revenue recognition for arrangements with multiple deliverables. This update allows companies to allocate consideration for qualified separate deliverables using estimated selling price for both delivered and undelivered items when vendor-specific objective evidence or third-party evidence is unavailable. It also requires additional disclosures on the nature of multiple element arrangements, the types of deliverables under the arrangements, the general timing of their delivery, and significant factors and estimates used to determine estimated selling prices. The update is effective for fiscal years beginning after June 15, 2010. The adoption of this update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Comprehensive Income — In June 2011, the FASB issued Accounting Standards Update 2011-05, "Presentation of Comprehensive Income." This update will increase the prominence of comprehensive income in the financial statements. It gives an entity the option to present the components of net income and comprehensive

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income in either a single continuous statement or in two separate but consecutive financial statements and eliminates the option to present other comprehensive income in the statement of changes in equity. This update will be effective for us beginning in the first quarter of 2012. This update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Fair value measurements — Effective January 1, 2012, we adopted the accounting standards update that changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments included in this update are intended to clarify the applications of existing fair value measurement requirements. The update is effective for annual periods beginning after December 15, 2011. This adoption did not have a material effect on the disclosures contained in our notes to the consolidated financial statements.

Comprehensive Income — On January 1, 2012, we adopted an update issued by the FASB to existing guidance on the presentation of comprehensive income. The update eliminates the option to present the components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. Public entities are required to comply with the new reporting requirements for fiscal years beginning after December 15, 2011 and interim periods within those years. Calendar year-end companies must adopt the requirements for the quarter ended March 31, 2012. The adoption of this update did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Impairment — In July 2012, the Financial Accounting Standards Board (FASB) issued an update to existing guidance on the impairment assessment of indefinite-lived intangibles. This update simplifies the impairment assessment of indefinite-lived intangibles by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before performing the two step impairment review process. The adoption of this update did not have an impact on our condensed consolidated financial statements.

Note 19 — Subsequent Events

Executive Departure

On February 11, 2013, we announced the departure of W. Kirk Brassfield, senior vice president and chief financial officer to be effective April 30, 2013. Mr. Brassfield will assist the Company in identifying his successor and will continue his duties as senior vice president and chief financial officer during a transition period extending through April 30, 2013, unless his successor is identified and the transition period is completed before that date.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures — In accordance with the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in the Exchange Act Rules 13a-15 and 15d-15, were effective, as of December 31, 2012, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting — The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management with the participation of the chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2012 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of the design and testing of the operational effectiveness of our internal control over financial reporting. Management reviewed the results of its assessment with the audit committee of the board of directors.

Based on that assessment and those criteria, management has concluded that our internal control over financial reporting was effective as of December 31, 2012.

KPMG LLP, our independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report Form 10-K, has issued a report with respect to our internal control over financial reporting as of December 31, 2012.

Changes in Internal Control over Financial Reporting — There were no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to directors can be found under the captions “Item 1 — Election of Directors” and “Board of Directors” in our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013. Such information is incorporated herein by reference.

Information with respect to executive officers is shown in Item 1 of this Form 10-K.

Information with respect to our audit committee and audit committee financial expert can be found under the caption “The Audit Committee” of our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013 and is incorporated herein by reference.

The information in our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013 set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated herein by reference.

We have adopted the Parker Drilling Code of Corporate Conduct (CCC) which includes a code of ethics that is applicable to the chief executive officer, chief financial officer, controller and other senior financial personnel as required by the SEC. The CCC includes provisions that will ensure compliance with the code of ethics required by the SEC and with the minimum requirements under the corporate governance listing standards of the NYSE. The CCC is publicly available on our website at <http://www.parkerdrilling.com>. If any waivers of the CCC occur that apply to a director, the chief executive officer, the chief financial officer, the controller or senior financial personnel or if the Company materially amends the CCC, we will disclose the nature of the waiver or amendment on the website and in a current report on Form 8-K within four business days.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions “Executive Compensation,” “Fees and Benefit Plans for Non-Employee Directors,” “2012 Director Compensation Table,” and “Compensation Committee Report” in our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Security Ownership of Officers, Directors and Principal Stockholders” and “Equity Compensation Plan Information” in our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is hereby incorporated by reference to such information appearing under the captions “Certain Relationships and Related Party Transactions” and “Director Independence Determination” in our 2013 Proxy Statement for the Annual Meeting of Stockholders to be held on May 8, 2013.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Audit and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” in our 2013 Proxy Statement for the Annual Meeting of the Stockholders to be held on May 8, 2013.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements of Parker Drilling Company and subsidiaries which are included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm	Page 48
Consolidated Statement of Operations for the years ended December 31, 2012, 2011 and 2010	50
Consolidated Balance Sheet as of December 31, 2012 and 2011	51
Consolidated Statement of Cash Flows for the years ended December 31, 2012, 2011 and 2010	52
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2012, 2011 and 2010	53
Notes to the Consolidated Financial Statements	54

(2) Financial Statement Schedule:

[Schedule II — Valuation and qualifying accounts](#)

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(3) Exhibits:

Exhibit Number	Description
3.1	— Restated Certificate of Incorporation of the Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	— Parker Drilling Company By-Laws, effective as amended March 11, 2011 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 16, 2011).
4.4	— Indenture, dated March 22, 2010, among Parker Drilling Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.5	— Form of 9 1 / 8 % Senior Note due 2018 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 22, 2010).
4.6	— Registration Rights Agreement, dated March 22, 2010, by and among Parker Drilling Company, the guarantors named therein, Bank of America Securities LLC, RBS Securities Inc., Barclays Capital Inc., Credit Suisse Securities (USA), Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Natixis Bleichroeder LLC and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2010).
10.1	— Amended and Restated Credit Agreement dated as of December 14, 2012, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, the several banks and other financial institutions or entities from time to time parties thereto, NATIXIS, New York Branch, Wells Fargo Bank, N.A., and Whitney Bank as Co-Documentation Agents, and Merrill Lynch, Fenner & Smith Incorporated as Sole Lead Arranger and Book Manager
10.2	— Parker Drilling Company Incentive Compensation Plan, dated December 17, 2008, and as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K filed on March 2, 2009).*
10.3	— Parker Drilling Company Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 1, 2011)*

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<u>Exhibit Number</u>	<u>Description</u>
10.4	— Parker Drilling Company 2005 Long Term Incentive Plan 2005 LTIP (incorporated by reference to the Annex E to the Company's Definitive Proxy Statement filed on March 25, 2005).*
10.5	— Amendment No. 1 to the Parker Drilling Company 2005 LTIP (incorporated by reference to Annex B to the Company's Definitive Proxy Statement filed on March 21, 2008).*
10.6	— Second Amendment to the Parker Drilling Company 2005 LTIP, dated December 13, 2008 (incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K filed on March 2, 2009).*
10.7	— Form of Parker Drilling Company Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 3, 2005).*
10.8	— Form of Parker Drilling Company Performance Based Restricted Stock Agreement under the 2005 LTIP (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 3, 2005).*
10.9	— Parker Drilling Company 2010 Long-Term Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement filed on March 16, 2010).*
10.10	— Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on March 1, 2011).*
10.11	— Form of Parker Drilling Company Performance Unit Award Incentive Agreement under the 2010 LTIP (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 1, 2011).*
10.12	— Form of Indemnification Agreement entered into between Parker Drilling Company and each director and executive officer of Parker Drilling Company (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K filed on March 20, 2003).*
10.13	— Employment Agreement between Mr. Robert L. Parker, Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 25, 2011).*
10.14	— First Amendment dated August 29, 2011 to First Amended and Restated Employment Agreement between Mr. Robert L. Parker Jr. and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 30, 2011).*

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<u>Exhibit Number</u>	<u>Description</u>
10.15	— Employment Agreement, dated as of September 17, 2012, by and between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed on September 24, 2012).*
10.16	— Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed on September 24, 2012).*
10.17	— Employment Agreement, dated as of December 29, 2010, by and between Parker Drilling Company and W. Kirk Brassfield (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 4, 2011).*
10.18	— First Amendment dated August 29, 2011 to Employment Agreement between Mr. W. Kirk Brassfield and Parker Drilling Company, effective December 29, 2010 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 30, 2011).*
10.19	— Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 25, 2011).*
10.20	— First Amendment dated August 29, 2011 to Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 30, 2011).*
10.21	— Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated April 12, 2006 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 12, 2006).*
10.22	— Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., effective as of May 1, 2008. (incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K filed on March 2, 2009)*
10.23	— Second Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr., dated May 1, 2009 (incorporated by reference to Exhibit 10(n)(3) to the Company's Annual Report on Form 10-K filed on March 3, 2010).*
10.24	— Third Amendment to Consulting Agreement between Parker Drilling Company and Robert L. Parker Sr. dated May 1, 2010. (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on March 1, 2011)*
10.25	— Termination of Split Dollar Life Insurance Agreement between Parker Drilling Company, Robert L. Parker Sr., and Robert L. Parker Sr. and Catherine M. Parker Family Trust dated April 12, 2006 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 12, 2006).*
21	— Subsidiaries of the Registrant.
23.1	— Consent of KPMG LLP — Independent Registered Public Accounting Firm.
31.1	— Gary Rich, President and Chief Executive Officer, Rule 13a-14(a)/15d-14(a) Certification.
31.2	— W. Kirk Brassfield, Senior Vice President and Chief Financial Officer, Rule 13a-14(a)/15d-14(a) Certification.
32.1	— Gary Rich, President and Chief Executive Officer, Section 1350 Certification.
32.2	— W. Kirk Brassfield, Senior Vice President and Chief Financial Officer, Section 1350 Certification.

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<u>Exhibit Number</u>	<u>Description</u>
101.INS	— XBRL Instance Document.
101.SCH	— XBRL Taxonomy Schema Document.
101.CAL	— XBRL Calculation Linkbase Document.
101.LAB	— XBRL Label Linkbase Document.
101.PRE	— XBRL Presentation Linkbase Document.
101.DEF	— XBRL Definition Linkbase Document.

* — Management contract, compensatory plan or agreement.

PARKER DRILLING COMPANY AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

<u>Classifications</u>	<u>Balance at beginning of year</u>	<u>Charged to cost and expenses</u>	<u>Charged to other accounts</u>	<u>Deductions</u>	<u>Balance at end of year</u>
Year ended December 31, 2012					
Allowance for doubtful accounts and notes	\$ 1,544	\$ 4,264	\$ 3,195	\$ (886)	\$8,117
Allowance for obsolete rig materials and supplies	\$ 316	—	\$ —	\$ (4)	\$ 312
Deferred tax valuation allowance	\$ 6,467	\$(1,662)	\$ —	\$ —	\$4,805
Year ended December 31, 2011					
Allowance for doubtful accounts and notes	\$ 7,020	\$ 2,258	\$(2,034)	\$ (5,700)	\$1,544
Allowance for obsolete rig materials and supplies	\$ 309	\$ 26	\$ —	\$ (19)	\$ 316
Deferred tax valuation allowance	\$ 5,532	\$ 2,542	\$(1,607)	\$ —	\$6,467
Year ended December 31, 2010					
Allowance for doubtful accounts and notes	\$ 4,095	\$ 3,244	\$ (211)	\$ (108)	\$7,020
Allowance for obsolete rig materials and supplies	\$ —	\$ 309	\$ —	\$ —	\$ 309
Deferred tax valuation allowance	\$ 5,194	\$ 338	\$ —	\$ —	\$5,532

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PARKER DRILLING COMPANY

By: /s/ W. Kirk Brassfield
W. Kirk Brassfield
Senior Vice President and Chief Financial Officer

Date: March 1, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Robert L. Parker Jr.</u> Robert L. Parker Jr.	Executive Chairman and Director	March 1, 2013
By:	<u>/s/ Gary Rich</u> Gary Rich	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 1, 2013
By:	<u>/s/ W. Kirk Brassfield</u> W. Kirk Brassfield	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2013
By:	<u>/s/ Philip A. Schlom</u> Philip A. Schlom	Controller (Principal Accounting Officer)	March 1, 2013
By:	<u>/s/ Jonathan M. Clarkson</u> Jonathan M. Clarkson	Director	March 1, 2013
By:	<u>/s/ George J. Donnelly</u> George J. Donnelly	Director	March 1, 2013
By:	<u>/s/ Robert W. Goldman</u> Robert W. Goldman	Director	March 1, 2013
By:	<u>/s/ Gary R. King</u> Gary R. King	Director	March 1, 2013
By:	<u>/s/ Robert E. McKee III</u> Robert E. McKee III	Director	March 1, 2013
By:	<u>/s/ Richard D. Paterson</u> Richard D. Paterson	Director	March 1, 2013
By:	<u>/s/ Roger B. Plank</u> Roger B. Plank	Director	March 1, 2013
By:	<u>/s/ R. Rudolph Reinfrank</u> R. Rudolph Reinfrank	Director	March 1, 2013

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
21	— Subsidiaries of the Registrant.
23.1	— Consent of KPMG LLP — Independent Registered Public Accounting Firm.
31.1	— Gary Rich, President and Chief Executive Officer, Rule 13a-14(a)/15d-14(a) Certification.
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32.1	— Gary Rich, President and Chief Executive Officer, Section 1350 Certification.
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101.INS	— XBRL Instance Document.
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101.CAL	— XBRL Calculation Linkbase Document.
101.LAB	— XBRL Label Linkbase Document.
101.PRE	— XBRL Presentation Linkbase Document.
101.DEF	— XBRL Definition Linkbase Document.

Published CUSIP Number: _____

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of December 14, 2012

among

PARKER DRILLING COMPANY,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent and L/C Issuer,

THE ROYAL BANK OF SCOTLAND plc,
as Syndication Agent

NATIXIS, NEW YORK BRANCH, WELLS FARGO BANK, N.A. and WHITNEY BANK,
as Co-Documentation Agents,

and

The Other Lenders Party Hereto

Merrill Lynch, Pierce, Fenner & Smith Incorporated,

as

Sole Lead Arranger and Book Manager

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AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT ("Agreement") is entered into as of December 14, 2012, among PARKER DRILLING COMPANY, a Delaware corporation (the "Borrower"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), BANK OF AMERICA, N.A., as Administrative Agent and L/C Issuer, THE ROYAL BANK OF SCOTLAND plc, as Syndication Agent, and NATIXIS, NEW YORK BRANCH, WELLS FARGO BANK, N.A. and WHITNEY BANK, as Co-Documentation Agents.

PRELIMINARY STATEMENTS:

The Borrower entered into the Credit Agreement dated as of May 15, 2008, by and among the Borrower, the Administrative Agent, the lenders party thereto (the "Existing Lenders"), Bank of America, N.A. as L/C Issuer, the Documentation Agent and the Joint Lead Arrangers and Book Managers, as amended by the Amendment dated as of June 30, 2008, the Second Amendment dated as of January 15, 2010, the Third Amendment dated as of April 1, 2011 and the Fourth Amendment dated as of April 9, 2012 (herein as so amended and from time to time amended, modified or supplemented, the "Existing Credit Agreement").

The "Obligations" (as defined in the Existing Credit Agreement) of the Loan Parties under the Existing Credit Agreement are secured by certain mortgages, guaranties, security agreements and other documents heretofore executed (specifically those agreements and documents listed in Schedule I, the "Existing Collateral Documents").

The parties hereto have agreed to enter into this Agreement to amend, restate, extend, renew and continue, but not to extinguish, terminate or novate, the Loans and the Letters of Credit under the Existing Credit Agreement.

In consideration of the mutual covenants and agreements herein contained, the parties hereto hereby amend and restate the Existing Credit Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Accounts" means accounts receivable of the Borrower or any of its Subsidiaries arising out of the sales or leasing of goods or services made by the Borrower or any of its Subsidiaries in the ordinary course of business.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in substantially the form of Exhibit E-2 or any other form approved by the Administrative Agent.

“Advance Rate” means at any time, the applicable percentage set forth in clause (a)(i), (a)(ii) or (a)(iii) of the definition of “Borrowing Base” or such other percentage as may become effective in lieu of such applicable percentage in accordance with paragraph (b) or (c) of such definition.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means, collectively, the Administrative Agent, the Syndication Agent, and the Co-Documentation Agents.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Agreement” means this Amended and Restated Credit Agreement.

“Alternative Currency” means each currency (other than Dollars) that is approved in accordance with Section 1.06.

“Alternative Currency Equivalent” means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Alternative Currency as determined by the Administrative Agent or an L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Alternative Currency with Dollars.

“Applicable Fee Rate” means, at any time, in respect of the Revolving Credit Facility and the Term Loan Facility, 0.50% per annum.

“Applicable Percentage” means (a) in respect of the Term Loan Facility, with respect to any Term Loan Lender at any time, the percentage (carried out to the ninth decimal place) of the Term Loan Facility represented by (i) at any time during the Availability Period in respect of such Facility, such Term Loan Lender’s Term Loan Commitment at such time and (ii) thereafter, the principal amount of such Term Loan Lender’s Term Loans at such time and (b) in respect of the Revolving Credit Facility, with respect to any Revolving Credit Lender at any time, the percentage (carried out the ninth decimal place) of the Revolving Credit Facility represented by such Revolving Credit Lender’s Revolving Credit Commitment at such time. If the commitment of each Lender to make Loans and the obligation of the L/C Issuers to make L/C Credit Extensions have been terminated pursuant to Section 8.02 or if the Commitments have expired, then the Applicable Percentage of each Lender in respect of the such Facility shall be determined based on the Applicable Percentage of such Lender in respect of such Facility most recently in effect, giving effect to any subsequent assignments. The initial Applicable

Percentage of each Lender in respect of each Facility is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Rate” means (a) in respect of the Term Loan Facility, 2.00% per annum for Base Rate Loans and 3.00% per annum for Eurodollar Rate Loans, and (b) in respect of the Revolving Credit Facility, (i) from the Closing Date to the date on which the Administrative Agent receives a Compliance Certificate pursuant to Section 6.02(b) for the fiscal quarter ending December 31, 2012, 1.50% per annum for Base Rate Loans and 2.50% per annum for Eurodollar Rate Loans, and (ii) thereafter, the applicable percentage per annum set forth below determined by reference to the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b):

<u>Applicable Rate</u>			
<u>Pricing Level</u>	<u>Consolidated Leverage Ratio</u>	<u>Eurodollar Rate Loans and Letters of Credit</u>	<u>Base Rate Loans</u>
1	< 2.50:1	2.50%	1.50%
2	³ 2.50:1 but < 3.50:1	2.75%	1.75%
3	³ 3.50:1	3.00%	2.00%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 3 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

“Applicable Time” means, with respect to any payments in any Alternative Currency, the local time in the place of settlement for such Alternative Currency as may be determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment.

“Applicable Revolving Credit Percentage” means with respect to any Revolving Credit Lender at any time, such Revolving Credit Lender’s Applicable Percentage in respect of the Revolving Credit Facility at such time.

“Appropriate Lender” means, at any time, (a) with respect to any of the Term Loan Facility or the Revolving Credit Facility, a Lender that has a Commitment with respect to such Facility or holds a Term Loan or a Revolving Credit Loan, respectively, at such time and (b) with respect to the Letter of Credit Sublimit, (i) the L/C Issuers and (ii) if any Letters of Credit have been issued pursuant to Section 2.03(a), the Revolving Credit Lenders.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, in its capacity as a sole lead arranger and sole book manager.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E-1 or any other form approved by the Administrative Agent.

“Attributable Indebtedness” means, on any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease or similar payments under the relevant lease or other applicable agreement or instrument that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement or instrument were accounted for as a Capitalized Lease and (c) all Synthetic Debt of such Person.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for each of the fiscal years ended on December 31, 2010 and December 31, 2011, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal years of the Borrower and its Subsidiaries, including the notes thereto.

“Availability Period” means (a) in respect of the Revolving Credit Facility, the period from and including the Closing Date to the earliest of (i) the Maturity Date for the Revolving Credit Facility, (ii) the date of termination of the Revolving Credit Commitments pursuant to Section 2.06, and (iii) the date of termination of the commitment of each Revolving Lender to make Revolving Credit Loans and of the obligation of the L/C Issuers to make L/C Credit Extensions pursuant to Section 8.02 and (b) in respect of the Term Loan Facility, the period from and including the Closing Date to the earliest of (i) the date that falls six months after the Closing Date, (ii) the Maturity Date for the Term Loan Facility, and (iii) the date of termination of the commitments of the respective Term Loan Lenders to make Term Loans pursuant to Section 8.02.

“Bank of America” means Bank of America, N.A. and its successors.

“Bank Products Reserves” means at any time, reserves in respect of Secured Hedge Agreements and Secured Cash Management Agreements then provided and outstanding, including, without limitation, the reserves established by the Administrative Agent pursuant to Section 2.04(b).

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate”, and (c) the Eurodollar Rate plus 1.00%. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Revolving Credit Loan or Term Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrowing” means a Revolving Credit Borrowing or a Term Loan Borrowing, as the context may require.

“Borrowing Base” means (a) Subject to paragraphs (b) and (c) below, at any time, the amount equal at such time to:

- (i) eighty-five percent (85%) of the aggregate Net Amount of Eligible Accounts Receivable, plus
- (ii) the Net Book Value of the Eligible Rental Equipment multiplied by the lesser of (A) the Equipment OLV Percentage and (B) one hundred percent (100%), plus
- (iii) fifty percent (50%) of the Net Specified Rigs OLV, minus
- (iv) the amount of any reserves established by the Administrative Agent pursuant to paragraph (b) below.

Notwithstanding the foregoing, in no event shall more than eighty percent (80%) of the amount of the Borrowing Base consist of Eligible Rental Equipment and Eligible Specified Rigs in reliance on clauses (a)(ii) and (a)(iii) above.

(b) The Administrative Agent at any time in the exercise of its Permitted Discretion shall be entitled to (i) establish and increase or decrease reserves against Eligible Accounts Receivable, Eligible Rental Equipment, and Eligible Specified Rigs, (ii) establish and increase or decrease Bank Products Reserves, (iii) reduce the Advance Rates to be applied under clauses (a)(i), (a)(ii) and (a)(iii) above to a level below the rates stated therein or (following any such

reduction or following any increase in such Advance Rates pursuant to paragraph (c) below) restore such Advance Rates to any level equal to or below the Advance Rates stated in clauses (a)(i), (a)(ii) and (a)(iii) above, (iv) impose additional restrictions (or eliminate any such additional restrictions) to the standards of eligibility set forth in the respective definitions of “Eligible Accounts Receivable”, “Eligible Rental Equipment” and “Eligible Specified Rigs,” (v) establish and increase or decrease a reserve in the amount of interest payable by the Borrower under the Agreement on Loans and drawings under Letters of Credit, including, without limitation, in order to protect each L/C Issuer issuing Letters of Credit in an Alternative Currency against the results of exchange rate fluctuations arising with respect to such Letters of Credit and (vi) adjust the Borrowing Base upon the occurrence of Casualty Events in accordance with Section 2.04(c).

(c) The Administrative Agent at any time in the exercise of its Permitted Discretion shall be entitled, with the consent of all Lenders, to increase the Advance Rates to a level above the rates stated in clauses (a)(i), (a)(ii) and (a)(iii) above.

“Borrowing Base Certificate” means a certificate duly executed by a Responsible Officer of the Borrower substantially in the form of Exhibit B.

“Borrowing Base Collateral” means the Accounts, Quail Rental Assets and the Specified Rigs.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, New York or the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

“Cash Collateralize” has the meaning specified in Section 2.03(g).

“Cash Equivalents” means any of the following types of Investments:

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; provided that the full faith and credit of the United States of America is pledged in support thereof;

(b) time deposits, Euro time deposits or overnight bank deposits with, or insured certificates of deposit or bankers’ acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking

subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least \$500,000,000, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States of America and rated at least "Prime-2" (or the then equivalent grade) by Moody's or at least "A-2" (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government;

(e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's;

(f) securities with maturities of 180 days or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition;

(g) Investments, classified in accordance with GAAP as current assets of the Borrower or any of its Subsidiaries, in money market investment programs which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a) through (f) of this definition; and

(h) shares of the Columbia Cash Reserves fund for which an affiliate of Bank of America, N.A. provides investment advisory services.

"Cash Management Agreement" means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

"Cash Management Bank" means (a) any Person that, at the time it enters into a Cash Management Agreement, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Cash Management Agreement and (b) any Lender or Affiliate of a Lender that is party to a Cash Management Agreement with the Borrower or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person's Affiliate becomes a Lender hereunder.

“Casualty Event” means any loss, casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any Property or asset of the Borrower or any of its Material Subsidiaries in which the fair market value of the loss of such Property shall be in excess of \$10,000,000 (or its equivalent in other currencies).

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of 35% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the Closing Date, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or

equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) a “Change of Control”, or like event, as defined in any of the Indentures, shall have occurred.

“Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

“Co-Documentation Agent” means Natixis, New York Branch, Wells Fargo Bank, N.A. and Whitney Bank, each in its capacity as documentation agent under any of the Loan Documents, or any successor documentation agent.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means all of the “Collateral” and “Vessels” referred to in the Collateral Documents and all of the other Property of the Loan Parties, now owned or hereafter acquired, that is or is intended under the terms of the Collateral Documents to be subject to Liens in favor of the Administrative Agent for the benefit of the Secured Parties.

“Collateral Documents” means, collectively, the Security Agreement, the Mortgages, each of the supplements to any of the foregoing, the Lockbox Agreements, the Control Agreements, mortgages, collateral assignments, Security Agreement Supplements, security agreements, pledge agreements or other similar agreements delivered to the Administrative Agent pursuant to Section 6.09, and each of the other agreements, instruments or documents that creates or purports to create a Lien in favor of the Administrative Agent for the benefit of the Secured Parties.

“Commitment” means a Term Loan Commitment or a Revolving Credit Commitment, as the context may require.

“Committed Loan Notice” means a notice of (a) a Term Loan Borrowing, (b) a Revolving Credit Borrowing, (c) a conversion of Loans from one Type to the other, or (d) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Compliance Certificate” means a certificate duly executed by a Responsible Officer of the Borrower substantially in the form of Exhibit D.

“Concentration Account” means one or more bank accounts maintained by the Administrative Agent, over which the Administrative Agent shall have sole dominion and control, into which proceeds of Collateral shall be transferred from other accounts maintained by the Borrower and the Subsidiary Guarantors, in the event that the Administrative Agent requires such transfer during the existence of an Event of Default.

“Consolidated EBITDA” means, at any date of determination, for any period, an amount equal to Consolidated Net Income of the Borrower and its Subsidiaries on a consolidated basis for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts, and other fees and charges associated with Indebtedness for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by the Borrower and its Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (v) other extraordinary, unusual or non-recurring expenses or losses of the Borrower and its Subsidiaries reducing such Consolidated Net Income (including, whether or not otherwise includable as a separate item in the statement of Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), to the extent such additions are found to be acceptable by the Administrative Agent, acting reasonably, and (vi) other non-cash charges and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of the Borrower and its Subsidiaries for such period, (ii) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), to the extent such deductions are found to be acceptable by the Administrative Agent, acting reasonably, (iii) any other non-cash income, all as determined on a consolidated basis and (iv) the amount of any cash expenditures during such period in respect of items that were added as non-cash charges in determining Consolidated EBITDA for a prior period.

“Consolidated Interest Charges” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the sum of total interest expense (including that attributable under Capitalized Leases) for such period with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed by the Borrower or its Subsidiaries with respect to letters of credit and bankers’ acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four prior fiscal quarters ending on such date *to* (b) Consolidated Interest Charges for such period.

“Consolidated Leverage Ratio” means, as of the last day of any period of four consecutive fiscal quarters, the ratio of (a) Consolidated Total Debt as of such date *to* (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; provided that for purposes of calculating Consolidated EBITDA of the Borrower and its Subsidiaries for any period, (i) the Consolidated EBITDA of any Person acquired by the

Borrower or its Subsidiaries during such period shall be included on a pro forma basis for such period (assuming the consummation of such acquisition and the incurrence or assumption of any Indebtedness in connection therewith occurred on the first day of such period) if the consolidated balance sheet of such acquired Person and its consolidated Subsidiaries as at the end of the period preceding the acquisition of such Person and the related consolidated statements of income and stockholders' equity and of cash flows for the period in respect of which Consolidated EBITDA is to be calculated (x) have been previously provided to the Administrative Agent and the Lenders and (y) either (1) have been reported on without a qualification arising out of the scope of the audit by independent certified public accountants of nationally recognized standing or (2) have been found acceptable by the Administrative Agent and (ii) the Consolidated EBITDA of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

“Consolidated Net Income” means, for any period, for the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP, the consolidated net income (or loss) of the Borrower and its Subsidiaries for that period; provided, that in calculating Consolidated Net Income of the Borrower and its consolidated Subsidiaries for any period, there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Subsidiary in the form of cash dividends or similar cash distributions and (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

“Consolidated Senior Secured Debt” means all Consolidated Total Debt that is secured by a Lien on any Property.

“Consolidated Senior Secured Leverage Ratio” means, as of the last day of any period of four consecutive fiscal quarters, the ratio of (a) Consolidated Senior Secured Debt as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; provided that for purposes of calculating Consolidated EBITDA of the Borrower and its Subsidiaries for any period, the Consolidated EBITDA of any Person acquired by the Borrower or its Subsidiaries during such period and the Consolidated EBITDA of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be included or excluded, as applicable, as provided in the proviso set forth in the definition of Consolidated Leverage Ratio.

“Consolidated Tangible Assets” means, with respect to any Person as of any date, the amount which, in accordance with GAAP, would be set forth under the caption “Total Assets” (or any like caption) on a consolidated balance sheet of such Person and its Subsidiaries, less all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP.

“Consolidated Total Debt” means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries as of such date (other than Indebtedness of the type described in clause (f) of the definition of “Indebtedness”), determined on a consolidated basis in accordance with GAAP.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Control Agreement” means in respect of each deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States existing and maintained for any Loan Party as of the Closing Date and each account identified to the Administrative Agent pursuant to Section 6.11(a), a Control Agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Borrower, pursuant to which (a) the Borrower or the Subsidiary Guarantor, as the case may be, that is the owner of such account irrevocably instructs the bank or securities intermediary that maintains such account that such bank or securities intermediary shall follow the instructions or entitlement orders, as the case may be, of the Administrative Agent without further consent of the Borrower or such Subsidiary Guarantor and (b) the Administrative Agent agrees that it will not give any instructions or entitlement orders, as the case may be, in respect of such account unless an Event of Default has occurred and is continuing. Each Control Agreement shall contain such other terms as shall be customary for agreements of such type.

“Convertible Debt” means any convertible subordinated debentures or note created, issued or assumed by the Borrower which have all of the following characteristics:

(a) an initial final maturity or due date in respect of repayment of principal extending beyond the latest Maturity Date of any Lender under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following any event of default in regard thereto or payment which can be satisfied by the delivery of shares as contemplated in paragraph (f) of this definition and other than on a change of control of the Borrower where a Change of Control also occurs under this Agreement) prior to the latest Maturity Date of any Lender under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(c) upon and during the continuance of a Default, an Event of Default or acceleration of the time for repayment of any Obligations which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to the Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;

(d) such debentures or notes shall be unsecured and shall provide that upon distribution of the assets of the Borrower on any dissolution, winding up, total liquidation or reorganization of the Borrower (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such person, or otherwise), all Obligations shall first be paid in full in cash, or provisions made for such payment, before any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;

(e) the occurrence of a Default or Event of Default under this Agreement or the acceleration of the time for repayment of any of the Obligations or enforcement of the rights and remedies of the Administrative Agent and the Secured Parties hereunder or under any other Loan Document shall not in and of themselves:

(i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or

(ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof; and

(f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of the Borrower, by delivering shares of the Borrower (or cash in lieu of fractional shares) in accordance with the indenture or agreement governing such debentures or notes (whether such shares are received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes).

“Cost” means in respect of any Quail Rental Assets, the net cost of such Quail Rental Assets to Quail Tools after all cash and other discounts or other allowances which may be allowed or taken by Quail Tools against the purchase price of such Quail Rental Assets.

“Credit Extension” means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans under the Term Loan Facility plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

“Defaulting Lender” means, subject to Section 2.18(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the L/C Issuer or any Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the L/C Issuer in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.18(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower, the L/C Issuer, the Swing Line Lender and each other Lender promptly following such determination.

“Derivatives Counterparty” has the meaning specified in Section 7.06.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disqualified Stock” means any Equity Interests that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case, on or prior to the date that is 91 days after the date (a) which is the latest Maturity Date of any Lender or (b) on which there are no Obligations outstanding; provided that only the portion of Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; provided, further, that if such Equity Interests is issued to any employee or to any plan for the benefit of employees of the Borrower or its Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Borrower in order to satisfy applicable statutory or regulatory obligations or as a result of such employee’s termination, death or disability; provided, further, that any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that is not Disqualified Stock shall not be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Stock solely because the holders of the Equity Interests have the right to require the Borrower to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Equity Interests provide that the Borrower may not repurchase or redeem any such Equity Interests pursuant to such provisions prior to obtaining any waiver or amendment to this Agreement required to permit such repurchase or redemption.

“Dollar” and “\$” mean lawful money of the United States.

“Dollar Equivalent” means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

“Eligible Accounts Receivable” means Accounts of the Borrower and the Subsidiary Guarantors payable in Dollars. In determining the amount to be so included, the face amount of such Accounts shall exclude any such Accounts that the Administrative Agent determines to be ineligible pursuant to the definition of the term “Borrowing Base”. Unless otherwise approved in writing by the Administrative Agent, no Account of the Borrower or its Subsidiaries shall be deemed to be an Eligible Account Receivable if:

(a) it arises out of a sale made by such Borrower or any of its Subsidiaries to an Affiliate; or

(b) (i) in the case of any Account due to the Borrower or any Subsidiary Guarantor from an account debtor other than a Qualified Account Debtor, the Account is unpaid more than (A) 60 days after the original payment due date and/or (B) 90 days after the original invoice date and (ii) in the case of Accounts due to the Borrower or any Subsidiary Guarantor from account debtors whose long-term unsecured debt obligations are rated at least A by Moody’s or A2 by S&P (each, a “Qualified Account Debtor”), the Account is unpaid more than (A) 90 days after the original payment due date and/or (B) 120 days after the original invoice date; or

(c) it is from the same account debtor (or any Affiliate thereof) and fifty percent (50%) or more, in face amount, of all Accounts from such account debtor (and any Affiliate thereof) due to the Borrower and the Subsidiary Guarantors are ineligible pursuant to clause (b) above; or

(d) the Account due to the Borrower or any Subsidiary Guarantor, when aggregated with all other Accounts of such account debtor (and any Affiliate thereof) due to the Borrower and the Subsidiary Guarantors, exceeds fifteen percent (15%) in face value of all Eligible Accounts of the Borrower and its Subsidiary Guarantors combined then outstanding, to the extent of such excess, provided, to the extent that such Accounts are otherwise deemed to be an Eligible Account Receivable, that (i) Accounts supported or secured by an irrevocable letter of credit in form and substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent) shall be excluded to the extent of the face amount of such letter of credit for the purposes of such calculation; and (ii) with respect to the account debtors listed on Schedule 1.01(b) attached hereto (and any Affiliate thereof), the percentage referred to above shall be deemed to be the percentage set forth on such Schedule opposite the name of such account debtor; or

(e) (i) the account debtor is also a creditor of the Borrower or such Subsidiary Guarantor, (ii) the account debtor has disputed its liability on, or the account debtor has made any claim with respect to, such Account or any other Account due from such account debtor to the Borrower or such Subsidiary Guarantor, which has not been resolved or (iii) the Account otherwise is or may reasonably be expected to become subject to any right of setoff by the account debtor or with respect to which any other claim, counterclaim, chargeback, rebate, allowance or offset has been asserted; provided that any Account deemed ineligible pursuant to this clause (e) shall only be ineligible to the extent of the amount owed by the Borrower or such Subsidiary Guarantor to the account debtor, the amount of such dispute or claim, or the amount of such setoff, other claim, counterclaim, chargeback, rebate, allowance or offset, as applicable; provided, further, that the portion of any Account that would otherwise be deemed ineligible pursuant to this clause (e) shall not be deemed ineligible pursuant to this clause (e) to the extent (i) supported or secured by an irrevocable letter of credit in form and substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent) or (ii) subject to a no-offset letter in form and substance satisfactory to the Administrative Agent; or

(f) the account debtor has commenced a voluntary case under any Debtor Relief Law, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or if a decree or order for relief has been entered by a court having jurisdiction over the account debtor in an involuntary case under any Debtor Relief Law, as now constituted or hereafter amended, or if any other petition or other application for relief under any Debtor Relief Law has been filed by or against the account debtor, or if the account debtor has filed a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up, or shall authorize or commence any action or proceeding for dissolution, winding-up or liquidation, or if the account debtor has failed, suspended business, declared itself to be insolvent, is generally not paying its debts as they become due or has consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs (any such act or event an "Act of Bankruptcy"), unless (i) the payment of Accounts from such account debtor is secured by assets of, or guaranteed by, in either case in a manner satisfactory to the Administrative Agent, a Person with respect to which an Act of Bankruptcy has not occurred and that is acceptable to the Administrative Agent; (ii) if the Account from such account debtor arises subsequent to a decree or order for relief with respect to such account debtor under any Debtor Relief Law, as now or hereafter in effect, the Administrative Agent shall have determined that the timely payment and collection of such Account will not be impaired; or (iii) the payment of such Account is supported or secured by an irrevocable letter of credit in form and

substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent); or

(g) the sale is to an account debtor outside of the United States, Canada or Puerto Rico, unless (i) such account debtor has supplied the Borrower or such Subsidiary Guarantor with an irrevocable letter of credit in form and substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent and which has been duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent); or (ii) such Account is fully insured by credit insurance satisfactory to the Administrative Agent; or

(h) the sale to the account debtor is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval or consignment basis or made pursuant to any other written agreement providing for repurchase or return; or

(i) the Administrative Agent determines in its Permitted Discretion that collection of such Account is insecure or that such Account may not be paid by reason of the account debtor's financial inability to pay; or

(j) the account debtor is the United States of America, any State or any political subdivision, department, agency or instrumentality thereof, unless the Borrower or such Subsidiary Guarantor duly assigns its rights to payment of such Account to the Agent pursuant to the Collateral Assignment of Claims Act of 1940 (31 U.S.C. § 3727 et seq.) or complies with any similar State or local law as Agent shall require; or

(k) the goods giving rise to such Account have not been shipped and delivered to and accepted by the account debtor or the services giving rise to such Account have not been performed by the Borrower or such Subsidiary Guarantor and accepted by the account debtor or the Account otherwise does not represent a final sale (except to the extent that such Account arises from a leasing transaction); or

(l) any documentation relating to the Account does not comply with all applicable legal requirements, including, where applicable, the Federal Consumer Credit Protection Act, the Federal Truth in Lending Act and Regulation Z of the Board of Governors of the Federal Reserve System; or

(m) the Administrative Agent does not have a valid and perfected first priority security interest in such Account (other than Permitted Liens) or the Account does not otherwise conform to the representations and warranties contained in the Credit Agreement, any Collateral Document or any of the other Loan Documents; or

(n) the Accounts are subject to any adverse security deposit, progress payment or other similar advance made by or for the benefit of the applicable account debtor; provided, that any Account deemed ineligible pursuant to this clause (n) shall only be ineligible to the extent of the amount of any such deposit, payment or other similar advance; or

(o) the Accounts are evidenced by or arise under any instrument or chattel paper unless such instruments or chattel paper have been pledged to the Administrative Agent containing such endorsement as the Administrative Agent shall require; or

(p) the account debtor has a presence in a State requiring the filing of Notice of Business Activities Report or similar report in order to permit the Borrower or such Subsidiary to seek judicial enforcement in such State of payment of such Account unless the Borrower or such Subsidiary Guarantor has qualified to do business in such State or has filed a Notice of Business Activities Report or equivalent report for the then current year or such failure to file and inability to seek judicial enforcement is capable of being remedied without any material delay or material cost; or

(q) the Account arises from progress billings or other billing arrangements such that the obligation of the account debtor with respect to such Account is conditioned upon the Borrower's or such Subsidiary Guarantor's satisfactory completion of any further performance under the agreement giving rise thereto; or

(r) the Account is deemed by the Administrative Agent in its Permitted Discretion to be otherwise ineligible for inclusion in the calculation of the Borrowing Base.

"Eligible Rental Equipment" means the Rental Equipment of Quail Tools. Unless otherwise approved in writing by the Administrative Agent, no Rental Equipment shall be Eligible Rental Equipment unless: (i) it is owned solely by Quail Tools and Quail Tools has good, valid and marketable title thereto; (ii) it is at all times subject to the Administrative Agent's valid and duly perfected first priority security interest granted pursuant to the Security Agreement and no other Lien (other than (x) any Permitted Liens referred to in Section 7.01(a) or (y) any landlord's Lien unless a rent reserve with respect to the relevant leased property has been deducted from the Borrowing Base in accordance with clause (ii) of the following sentence); (iii) Quail Tools shall at all times have title to such Rental Equipment and shall have the ability to direct the disposition thereof (subject only to the rights of any lessee under any lease in effect with respect to such Rental Equipment) and it is not located outside the continental United States, the Gulf of Mexico waters subject to state or Federal jurisdiction and Canada; (iv) it is not obsolete, unmerchantable or slow moving, as determined by the Administrative Agent in its reasonable credit judgment; and (v) it conforms in all respects to the warranties and representations set forth in the Credit Agreement. In no event shall (i) any Rental Equipment held under a Vendor Lease, (ii) any Rental Equipment held at a leased property (other than Rental Equipment on active lease located at customer locations in the ordinary course of

business) unless a landlord lien waiver satisfactory in all respects to the Administrative Agent has been obtained with respect thereto (or, if no landlord lien waiver has been obtained, a rent reserve equal to three months rent on such leased property has, if elected by the Administrative Agent in its sole discretion, been deducted from the Borrowing Base) and (iii) any Rental Equipment otherwise deemed ineligible by the Administrative Agent in its Permitted Discretion, constitute Eligible Rental Equipment.

“Eligible Specified Rigs” means the Specified Rigs of the Borrower and Subsidiary Guarantors. Unless otherwise approved in writing by the Administrative Agent, no Specified Rigs shall be an Eligible Specified Rig unless: (i) it is owned solely by the Borrower or another Loan Party and such Loan Party has good, valid and marketable title thereto; (ii) it is at all times subject to the Administrative Agent’s valid and duly perfected first priority Lien granted pursuant to the Mortgages and no other Lien (other than any Permitted Liens referred to in Section 7.01(a), (b), (v) or Section 7.01(z)); (iii) a Loan Party shall at all times have title to such Specified Rig and shall have the ability to direct the disposition thereof (subject only to the rights of any charteree under any charter in effect with respect to such Specified Rig) and it is not located outside the continental United States or the Gulf of Mexico waters subject to state or Federal jurisdiction; (iv) it is not obsolete, as determined by the Administrative Agent in its reasonable credit judgment; and (v) it conforms in all respects to the warranties and representations set forth in the Credit Agreement and applicable Mortgage and is fully insured in the manner required by the Credit Agreement and applicable Mortgage. In no event shall any Specified Rig otherwise deemed ineligible by the Administrative Agent in its Permitted Discretion, constitute Eligible Specified Rigs.

“EMU Legislation” means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equipment OLV Percentage” means at any time, the percentage equal to (i) the Net Equipment OLV of the Quail Rental Assets as of the date of the then most recent appraisal of the Quail Rental Assets divided by the Net Book Value of the Quail Rental Assets as of such date, multiplied by (ii) 50%.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Euro” and “EUR” mean the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

“Eurodollar Base Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to (i) the British Bankers Association LIBOR Rate or the successor thereto if the British Bankers Association is no longer making a LIBOR rate available (“LIBOR”), as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or,

(ii) if such rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in the relevant currency for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch (or other Bank of America branch or Affiliate) to major banks in the London or other offshore interbank market for such currency at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to (i) LIBOR, at approximately 11:00 a.m., London time determined two Business Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made or maintained and with a term equal to one month would be offered by Bank of America's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

"Eurodollar Rate" means for any Interest Period with respect to a Eurodollar Rate Loan, or a Base Rate Loan the interest rate on which is determined by reference to the Eurodollar Rate component of the Base Rate, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"Eurodollar Reserve Percentage" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Eurodollar Rate Loan" means a Revolving Credit Loan or Term Loan that bears interest at a rate based on the Eurodollar Rate.

"Event of Default" has the meaning specified in Section 8.01.

"Excluded Account" means (i) any deposit account, securities account or commodities account exclusively used for payroll, payroll taxes and other employee wage and benefit payment to or for the benefit of the Borrower's or any Subsidiary's salaried employees in each case as long as such account remains a zero-balance account or, with respect to any such account maintained in Louisiana, constitutes an Immaterial Account on each Business Day other

that the Business Day immediately preceding the payment of payroll and (ii) any deposit accounts, trust accounts, escrow accounts or security deposits established pursuant to statutory obligations or for the payment of taxes or holding funds in trust for third parties not affiliated with the Borrower in the ordinary course of business of business or in connection with acquisitions, investments or dispositions permitted under this Agreement, deposits in the ordinary course of business in connection with workers' unemployment insurance and other types of social security, reserve accounts, and escrow accounts established pursuant to contractual obligations to third parties not affiliated with the Borrower for casualty payments and insurance proceeds.

"Excluded Subsidiaries" means: (a) Parker Drilling Investment Company, an Oklahoma corporation, (b) PKD Sales Corporation, an Oklahoma corporation, (c) any Foreign Subsidiary, (d) any Domestic Subsidiary owned by any Foreign Subsidiary, (e) any Domestic Subsidiary designated by the Borrower by written notice to the Administrative Agent as an "Excluded Subsidiary" and certified by a Responsible Officer of the Borrower to the Administrative Agent that (i) such Domestic Subsidiary has no material assets other than Equity Interests of one or more other Excluded Subsidiaries or (ii) substantially all of such Domestic Subsidiary's revenues for the fiscal year most recently ended were generated (or, in the case of a newly-formed or acquired Subsidiary, are intended by the Borrower to be generated in the current fiscal year) from assets, including rigs and equipment, located outside of the United States (including located outside the territorial waters of the United States) and/or contracts performed primarily outside of the United States (including performed outside of the territorial waters of the United States); provided, that a Subsidiary shall cease to be an Excluded Subsidiary if (and for so long as) either (x) it provides a guaranty of the obligations under any Indenture, (y) ceases to satisfy the requirements set forth in clause (e)(i) or (ii) above, or (z) in the case of each of Parker Drilling Investment Company and PKD Sales Corporation, it ceases to be an "Unrestricted Subsidiary" under the Indentures, (f) Parker USA Resources, LLC; provided that such Subsidiary shall cease to be an Excluded Subsidiary if it has not been dissolved on or prior to December 31, 2012, (g) PD Management Resources, LP; provided that such Subsidiary shall cease to be an Excluded Subsidiary if it has not been dissolved on or prior to December 31, 2012 and (h) Parker Offshore Resources, L.P.; provided that such Subsidiary shall cease to be an Excluded Subsidiary if it has not been dissolved on or prior to December 31, 2012.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, any L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) any backup withholding tax that is required by the Code to be withheld from amounts payable to a Lender that has failed to comply with clause (A) of Section 3.01(e)(ii), or has so complied but is otherwise subject to backup withholding, (d) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any United States withholding tax that (i) is required to be imposed on amounts payable to such Foreign Lender pursuant to the Laws in force at the time such Foreign Lender becomes a party hereto (or

designates a new Lending Office) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with clause (B) of Section 3.01(e)(ii), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a)(ii) or (iii) and (e) any Taxes imposed by FATCA.

"Existing Collateral Documents" has the meaning set forth in the introductory paragraph hereof.

"Existing Credit Agreement" has the meaning set forth in the introductory paragraph hereof.

"Existing L/C Issuer" means each issuer of the Existing Letters of Credit.

"Existing Lenders" has the meaning set forth in the introductory paragraph hereof.

"Existing Letters of Credit" means each letter of credit described in Schedule 1.01(a) attached hereto.

"Existing Term Loan" means as to any Term Loan Lender on the Closing Date the aggregate Term Loan held by such Lender under the Existing Credit Agreement (after giving effect to Section 10.20 hereof but before giving effect to any Term Loan made pursuant to Section 2.01(a) of this Agreement) set forth opposite such Lender's name in Schedule 1.01(c) hereto.

"Existing Revolving Loans" has the meaning specified in Section 2.01(a).

"Facility" means the Term Loan Facility or the Revolving Credit Facility, as the context may require.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

“Fee Letter” means the letter agreement, dated November 27, 2012, among the Borrower, the Administrative Agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Foreign Government Scheme or Arrangement” has the meaning specified in Section 5.12(d).

“Foreign Lender” means, with respect to the Borrower, any Lender that is organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes (including such a Lender when acting in the capacity of an L/C Issuer). For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Foreign Plan” has the meaning specified in Section 5.12(d).

“Foreign Subsidiary” means any Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to the L/C Issuer, such Defaulting Lender’s Applicable Revolving Credit Percentage of the Outstanding Amount of all outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, any (a) obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or

indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided, however, that the term Guarantee shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to, or could give rise to liability under, any Environmental Law.

"Hedge Bank" means (a) any Person that, at the time it enters into a Swap Contract permitted under Article VI or VII, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Swap Contract and (b) any Lender or Affiliate of a Lender that is party to a Swap Contract with the Borrower or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person's Affiliate becomes a Lender hereunder.

"High Strikes Agreements" has the meaning specified in Schedule 5.14.

"Immaterial Account" means any account in which the aggregate amount on deposit (or, in the case of any securities account, the total fair market value of all securities held in such account) does not at any time exceed \$25,000.

"Immaterial Subsidiary" means any Subsidiary designated by the Borrower, by written notice to the Administrative Agent, as an "Immaterial Subsidiary"; provided, that (a) no Subsidiary may be so designated unless such Subsidiary (i) had assets having an aggregate book value, as of the end of the fiscal year most recently ended, not exceeding \$5,000,000 and (ii) had net income not exceeding \$1,000,000 for such fiscal year and (b) any Subsidiary shall automatically cease to be an Immaterial Subsidiary if at the end of any subsequent fiscal year such Subsidiary would not meet the requirements set forth in the foregoing clause (a).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money;
- (b) all obligations of such Person for the deferred purchase price of Property or services (other than (i) trade payables incurred in the ordinary course of such Person’s business, and (ii) any earn-out obligation until such obligation becomes a liability on the balance sheet or such Person in accordance with GAAP and if not paid after becoming due and payable);
- (c) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments;
- (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property);
- (e) all Attributable Indebtedness in respect of Capitalized Leases and Synthetic Lease Obligations of such Person and all Synthetic Debt of such Person;
- (f) the maximum amount of all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities;
- (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value (other than through the issuance of common stock of such Person) any Equity Interest in such Person or any other Person, other than any such obligations the payment of which would be permitted by Section 7.06(c) or (d); *provided* that such obligations to acquire Equity Interests after 91 days after the latest Maturity Date of any Lender shall not be Indebtedness for purposes of this clause (g);
- (h) all Guarantees of such Person in respect of any of the foregoing;
- (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person (other than a Lien of the type described in Section 7.01(t)), whether or not such Person has assumed or become liable for the payment of such obligation; provided, however, if such Indebtedness is limited in recourse solely to such Property, then the amount of such Indebtedness for purposes of this Agreement will not exceed the fair market value of such Property; and

(j) for purposes of Section 8.01(e) only, net obligations of such Person under any Swap Contract.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. Notwithstanding the foregoing, Indebtedness shall not include any indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, or as to which the proceeds of Refinancing Debt have been deposited in a designated account in compliance with the definition thereof.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitees” has the meaning specified in Section 10.04(b).

“Indentures” means the Senior Notes Indenture, the indenture or other similar instrument then governing any Refinancing Debt incurred with respect to the Senior Notes or any Refinancing Debt with respect thereto, respectively.

“Information” has the meaning specified in Section 10.07.

“Initial Appraisal Report” means, collectively, that certain appraisal report, dated as of November 6, 2012, on (13) Inland Drilling Barge Rigs Owned by Parker USA Drilling Company and that certain appraisal report, dated as of November 6, 2012, on Quail Tools LLC.

“Initial Projections” has the meaning specified in Section 4.01(a)(xii).

“Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date of the Facility under which such Loan was made; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date of the Facility under which such Loan was made.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person (including by way of Guarantee or otherwise), or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person.

“IRS” means the United States Internal Revenue Service.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the applicable L/C Issuer and the Borrower (or any Subsidiary) or in favor of such L/C Issuer and relating to such Letter of Credit.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Advance” means, with respect to each Revolving Credit Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Revolving Credit Percentage. All L/C Advances shall be denominated in Dollars.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Revolving Credit Borrowing. All L/C Borrowings shall be denominated in Dollars.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

“L/C Issuer” means (a) in respect of the Existing Letters of Credit only, each Existing L/C Issuer; (b) in respect of each Letter of Credit issued hereunder on or after the Closing Date, Bank of America in its capacity as issuer of Letters of Credit hereunder, (c) any Lender from time to time designated by the Borrower as an L/C Issuer with the consent of such Lender and the Administrative Agent, or (d) any successor issuer of Letters of Credit hereunder.

“L/C Obligations” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder and shall be deemed to include the Existing Letters of Credit. A Letter of Credit maybe a standby letter of credit or a commercial letter of credit payable upon presentation of appropriate supporting documentation. Letters of Credit may be issued in Dollars or in an Alternative Currency.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the relevant L/C Issuer.

“Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date then in effect for the Revolving Credit Facility (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Fee” has the meaning specified in Section 2.03(i).

“Letter of Credit Sublimit” means an amount equal to \$50,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Revolving Credit Facility.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by a Lender to the Borrower under Article II in the form of a Term Loan or a Revolving Credit Loan.

“Loan Documents” means, collectively, this Agreement, the Notes, the Subsidiary Guaranty, the Collateral Documents, the Fee Letter and each Issuer Document.

“Loan Parties” means, collectively, the Borrower and each Subsidiary Guarantor.

“Lockbox Agreement” means in respect of each lockbox account, and related lockbox and collection account, an agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Borrower, pursuant to which the bank that maintains such account and the Borrower or the Subsidiary Guarantor, as the case may be, that is the named owner of such account shall agree with the Administrative Agent (a) that such lockbox and accounts shall be used solely for the collection and deposit of proceeds of Collateral, (b) that, upon notice from the Administrative Agent, such bank shall transfer at the end of each business day all collected funds in any such account to a Concentration Account and (c) the Administrative Agent agrees that it will not give the notice described in the foregoing clause (b) unless an Event of Default has occurred and is continuing. Each Lockbox Agreement shall contain such other terms as shall be customary for agreements of such type.

“Material Adverse Effect” means any event, development or circumstance that has had or could reasonably be expected to have (a) a material adverse effect upon the business, assets, properties or financial condition of the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document or of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity or enforceability against any Loan Party of any material provision of any Loan Document to which it is a party.

“Material Subsidiary” means each Domestic Subsidiary that is not an Immaterial Subsidiary.

“Maturity Date” means with respect to each Facility, December 14, 2017; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Mortgage” has the meaning specified in Section 4.01(a)(iv).

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Net Amount” means with respect to any Account at any time, the face amount of such Account on any date less (to the extent not otherwise deducted pursuant to the definition of “Eligible Account”) any and all returns, rebates, discounts (which may, at the Administrative Agent’s option, be calculated on shortest terms), credits, allowances or taxes (including any sales, excise or other taxes) at any time issued, owing, claimed by any account debtor, granted, outstanding or payable in connection with, or any interest accrued on the amount of, such Account at such time.

“Net Book Value” means (i) Cost minus (ii) accumulated depreciation calculated (A) in accordance with GAAP and (B) consistently with the Quail Tools’ accounting practices as of the Closing Date.

“Net Cash Proceeds” means, in connection with any issuance or sale of debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

“Net Equipment OLV” means, as reasonably determined by the Administrative Agent in good faith based on the Initial Appraisal Report or the most recent appraisal conducted pursuant to Section 6.12, the Value of the Eligible Rental Equipment that is estimated to be recoverable in an orderly liquidation of such Equipment (less applicable freight and duty charges, if any), net of liquidation expenses.

“Net Loss Proceeds” means, in connection with any Casualty Event, all insurance proceeds or other amounts actually received, less any deductibles applied or to be paid and any costs and expenses incurred in the collection thereof.

“Net Specified Rigs OLV” means as reasonably determined by the Administrative Agent in good faith based upon the Initial Appraisal Report or the most recent appraisal conducted pursuant to Section 6.12, as applicable, the value of the Eligible Specified Rigs that is estimated to be recoverable in an orderly liquidation of such Eligible Specified Rigs (less applicable freight and duty charges, if any), net of estimated liquidation expenses.

“Non-Consenting Lender” has the meaning set forth in Section 10.01.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Non-Increasing Lender” means any Lender that does not consent to the increase of the Revolving Credit Facility or the Term Loan Facility pursuant to Section 2.14 or 2.15, respectively.

“Non-Recourse Debt” means Indebtedness and other obligations of the Borrower or any Subsidiary incurred for the purpose of financing all or any part of the purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of the Borrower or such Subsidiary with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles) and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary equal to or in excess of the Threshold Amount to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or scheduled maturity.

“Note” means a Term Note or a Revolving Credit Note, as the context may require.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, Letter of Credit, Secured Cash Management Agreement or Secured Hedge Agreement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding; provided, that (a) obligations of the Borrower or any Subsidiary under any Secured Cash Management Agreement or Secured Hedge Agreement shall be secured and guaranteed pursuant to the Collateral Documents only to the extent that, and for so long as, the other Obligations are so secured and guaranteed and (b) any release of Collateral or Subsidiary Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under the Secured Cash Management Agreements and Secured Hedge Agreements.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Ordinary Course of Business” means with respect to any transaction involving any Person, the ordinary course of such Person’s business, as conducted by such Person in accordance with past practices and undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any Loan Document.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Outstanding Amount” means (a) with respect to Term Loans and Revolving Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Term Loans and Revolving Loans, as the case may be, occurring on such date; (b) with respect to any L/C Obligations on any date, the Dollar Equivalent of the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Participant” has the meaning specified in Section 10.06(d).

“Participating Member State” means each state so described in any EMU Legislation.

“Paying Subsidiary” has the meaning specified in Section 7.06(a).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Discretion” means the Administrative Agent’s judgment exercised in good faith based upon its consideration of any factor which the Administrative Agent believes in good faith: (a) will or reasonably could be expected to adversely affect the value of the Borrowing Base Collateral, the enforceability or priority of the Administrative Agent’s Liens thereon or the amount which the Administrative Agent, the Lenders or any L/C Issuer would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the

liquidation of such Collateral; (b) suggests that any collateral report of financial information delivered to the Administrative Agent by any Person, with respect to the Borrowing Base Collateral is incomplete, inaccurate or misleading in any material respect; (c) materially increases the likelihood of a bankruptcy, reorganization or other insolvency proceeding involving the Borrower or any Subsidiary of the Borrower or any of the Borrowing Base Collateral; or (d) creates or reasonably could be expected to create a Default or Event of Default. In exercising such judgment, the Administrative Agent may consider such factors already included in or tested by the definition of Eligible Accounts Receivable, Eligible Rental Equipment or Eligible Specified Rigs, as well as any of the following: (i) the changes in collection history and dilution with respect to the Accounts; (ii) changes in demand for, pricing of, or product mix of Rental Equipment or Specified Rigs; (iii) changes in any concentration of risk with respect to the Borrower's or any of its Subsidiaries' Accounts, Rental Equipment or Specified Rigs; and (iv) any other factors that change in any material respect the credit risk of lending to the Borrower on the security of the Borrower's or any of its Subsidiaries Accounts, Rental Equipment or Specified Rigs. The burden of establishing lack of good faith hereunder shall be on the Borrower.

“Permitted Liens” means any Liens permitted by subsections (a), (b), (c), (d), (e), (k) and (v) of Section 7.01.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

“Platform” has the meaning specified in Section 6.02.

“Pledged Debt” has the meaning specified in the Security Agreement.

“Pledged Equity” has the meaning specified in the Security Agreement.

“Project Finance Subsidiary” means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

“Project Financing” means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under Section 7.01(g) and (c) constitute Non-Recourse Debt (other than recourse to the assets of, and Equity Interests in, such Project Finance Subsidiary).

“Projections” has the meaning specified in Section 6.02(c) and includes the Initial Projections.

“Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Equity Interests.

“Public Lender” has the meaning specified in Section 6.02.

“Quail Rental Assets” means all Rental Equipment owned by Quail Tools.

“Quail Tools” means Quail Tools, L.P. an Oklahoma limited partnership.

“Refinanced Indebtedness” has the meaning specified in Section 7.03(g).

“Refinancing Debt” has the meaning specified in Section 7.03(g).

“Register” has the meaning specified in Section 10.06(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“Removal Effective Date” has the meaning specified in Section 9.06.

“Rental Equipment” means Inventory (as defined in the UCC) which is of a type offered for lease in the Ordinary Course of Business as conducted on the Closing Date.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a Borrowing, conversion or continuation of Term Loans or Revolving Credit Loans, a Committed Loan Notice, and (b) with respect to an L/C Credit Extension, a Letter of Credit Application.

“Required Lenders” means, as of any date of determination, Lenders holding more than 50% of the sum of the (a) Total Outstandings (with the aggregate amount of each Revolving Credit Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Revolving Credit Lender for purposes of this definition) and (b) aggregate unused Revolving Credit Commitments; provided that the unused Revolving Credit Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Required Revolving Lenders” means, as of any date of determination, Revolving Credit Lenders holding more than 50% of the sum of the (a) Total Revolving Credit Outstandings (with the aggregate amount of each Revolving Credit Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Revolving Credit Lender for purposes of this definition) and (b) aggregate unused Revolving Credit Commitments; provided that the unused Revolving Credit Commitment of, and the portion of the Total Revolving Credit Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Revolving Lenders.

“Required Term Loan Lenders” means, as of any date of determination, Term Loan Lenders holding more than 50% of the Term Loan Facility on such date; provided that the portion of the Term Loan Facility held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Term Loan Lenders.

“Requirement of Law” means as to any Person, the Organization Documents of such Person, and any Law or determination of an arbitrator, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Resignation Effective Date” has the meaning specified in Section 9.06.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, or controller of a Loan Party, but in any event, with respect to financial matters, the chief financial officer of such Loan Party and, in the case of Compliance Certificates, the chief financial officer, controller or the treasurer of such Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” has the meaning specified in Section 7.06.

“Revaluation Date” means with respect to any Letter of Credit, each of the following: (a) each date of issuance of a Letter of Credit denominated in an Alternative Currency, (b) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof (solely with respect to the increased amount), (c) each date of any payment by the applicable L/C Issuer under any Letter of Credit denominated in an Alternative Currency, and (d) such additional dates as the Administrative Agent or the applicable L/C Issuer shall determine or the Required Lenders shall require.

“Revolving Credit Borrowing” means a borrowing consisting of simultaneous Revolving Credit Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Revolving Credit Lenders pursuant to Section 2.01(b).

“Revolving Credit Commitment” means, as to each Revolving Credit Lender, its obligation to (a) make Revolving Credit Loans to the Borrower pursuant to Section 2.01(b), and (b) purchase participations in L/C Obligations, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 under the caption “Revolving Credit Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Revolving Credit Facility” means, at any time, the aggregate amount of the Revolving Credit Lenders’ Revolving Credit Commitments at such time.

“Revolving Credit Lender” means, at any time, any Lender that has a Revolving Credit Commitment at such time.

“Revolving Credit Loan” has the meaning specified in Section 2.01(c).

“Revolving Credit Note” means a promissory note made by the Borrower in favor of a Revolving Credit Lender evidencing Revolving Credit Loans made by such Revolving Credit Lender, substantially in the form of Exhibit C-2.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

“Sanction(s)” means any international economic sanction administered or enforced by OFAC, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Secured Cash Management Agreement” means any Cash Management Agreement that is entered into by and between any Loan Party and any Cash Management Bank.

“Secured Hedge Agreement” means any Swap Contract permitted under Article VI or VII that is entered into by and between any Loan Party and any Hedge Bank.

“Secured Parties” means, collectively, the Administrative Agent, each other Agent, the Lenders, the L/C Issuers, the Hedge Banks, the Cash Management Banks, each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05, and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of the Collateral Documents.

“Security Agreement” has the meaning specified in Section 4.01(a)(iii).

“Security Agreement Supplement” has the meaning specified in the Security Agreement.

“Senior Notes” means the \$425,000,000 aggregate principal amount of senior unsecured notes of the Borrower issued pursuant to the Senior Notes Indenture.

“Senior Notes Indenture” means that certain Indenture, dated as of October 10, 2003, in respect of the Senior Notes, together with all instruments and other agreements entered into by the Borrower or such Subsidiaries in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.07.

“Solvent” and “Solvency” mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay

the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Specified Personal Property" means any Property of a type in which a Lien is purported to be granted pursuant to the Security Agreement or Mortgage.

"Specified Rigs" means each of the barge rigs, other than workover rigs and those that are not capable of drilling to depths of 13,000 feet or more, as located and operating in the continental United States or the Gulf of Mexico waters subject to state or Federal jurisdiction, and owned by the Borrower or any Subsidiary Guarantor described in Schedule 5.07 and each such other barge rig acquired after the Closing Date and made subject to a Mortgage pursuant to Section 6.09.

"Spot Rate" for a currency means the rate determined by the Administrative Agent or the relevant L/C Issuer, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; provided that the Administrative Agent or the relevant L/C Issuer may obtain such spot rate from another financial institution designated by the Administrative Agent or the relevant L/C Issuer if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and provided further that the relevant L/C Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Alternative Currency.

"Subordinated Debt" means Indebtedness of the Borrower or any Subsidiary which meets all the requirements of the definition of "Convertible Debt" other than clause (f) of the definition thereof.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Subsidiary Guarantors” means, collectively, (a) each Material Subsidiary of the Borrower other than any Excluded Subsidiary or Project Finance Subsidiary, (b) Quail USA, LLC, and (c) Anachoreta, Inc. and Parker-VSE, LLC.

“Subsidiary Guaranty” means the Subsidiary Guaranty made by the Subsidiary Guarantors in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit F, together with each other guaranty and guaranty supplement delivered pursuant to Section 6.09.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Syndication Agent” means The Royal Bank of Scotland plc, in its capacity as syndication agent under any of the Loan Documents, or any successor syndication agent.

“Synthetic Debt” means, with respect to any Person as of any date of determination thereof, all obligations of such Person in respect of transactions entered into by such Person that are intended to function primarily as a borrowing of funds but are not otherwise included in the definition of “Indebtedness” or as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP.

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term Loan” means an advance made by any Term Loan Lender under the Term Loan Facility.

“Term Loan Borrowing” means a borrowing consisting of simultaneous Term Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Term Loan Lenders pursuant to Section 2.01(a).

“Term Loan Commitment” means, as to each Term Loan Lender, its obligation to make a Term Loan to the Borrower pursuant to Section 2.01(a) in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Term Loan Lender’s name on Schedule 2.01 under the caption “Term Loan Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Term Loan Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Term Loan Facility” means, at any time, (a) at any time during the Availability Period in respect of such Facility, the sum of (i) the aggregate amount of the Term Loan Commitments at such time and (ii) the aggregate principal amount of the Term Loans of all Term Loan Lenders outstanding at such time and (b) thereafter, the aggregate principal amount of the Term Loans of all Term Loan Lenders outstanding at such time.

“Term Loan Lender” means (a) at any time on or prior to the Closing Date, any Lender that has a Term Loan Commitment at such time and (b) at any time after the Closing Date, any Lender that holds Term Loans at such time.

“Term Note” means a promissory note made by the Borrower in favor of a Term Loan Lender evidencing Term Loans made by such Term Loan Lender, substantially in the form of Exhibit C-1.

“Threshold Amount” means \$20,000,000.

“Total Revolving Credit Outstandings” means the aggregate Outstanding Amount of all Revolving Credit Loans and L/C Obligations.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UCC” means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

“Value” means with reference to the value of the Rental Equipment, value determined on the basis of the lower of cost or market of such Rental Equipment in accordance with GAAP, with the cost thereof calculated on a first-in, first-out basis determined in accordance with GAAP.

“Vendor Lease” means a lease pursuant to which Goods (as defined in the UCC) are leased from a Vendor Lessor, whether or not such lease constitutes an operating or a capital lease under GAAP and whether or not such lease constitutes a true lease or a secured transaction under the UCC or any other Requirement of Law.

“Vendor Lessor” means a Person who leases Goods (as defined in the UCC) to another Person pursuant to a Vendor Lease.

“Wholly Owned Subsidiary” means, as to any Person, any other Person all of the Equity Interests of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Subsidiary Guarantor” means any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or

otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Exchange Rates; Currency Equivalents. (a) The Administrative Agent or the relevant L/C Issuer, as applicable, shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of L/C Credit Extensions and Outstanding Amounts denominated in Alternative Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by Loan Parties hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent or the relevant L/C Issuer, as applicable.

(b) Wherever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Alternative Currency, with 0.5 of a unit being rounded upward), as determined by the Administrative Agent or the relevant L/C Issuer, as the case may be.

Section 1.06 Alternative Currencies. (a) The Borrower may from time to time request that Letters of Credit be issued in a currency other than Dollars; provided that such requested currency is a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars. In the case of any such request with respect to the issuance of Letters of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuers.

(b) Any such request shall be made to the Administrative Agent not later than 10:00 a.m., 20 Business Days prior to the date of the desired L/C Credit Extension (or such other time or date as may be agreed by the Administrative Agent and the L/C Issuers, in their sole discretion). In the case of any such request pertaining to Letters of Credit, the Administrative Agent shall promptly notify each L/C Issuer thereof. Each L/C Issuer shall notify the Administrative Agent, not later than 10:00 a.m., ten Business Days after receipt of such request whether it consents, in its sole discretion, to the issuance of Letters of Credit in such requested currency.

(c) Any failure by an L/C Issuer to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by such L/C Issuer to permit Letters of Credit to be issued in such requested currency. If the Administrative Agent and any L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Borrower and such currency shall thereupon be deemed for all purposes to be an Alternative Currency hereunder for purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.06, the Administrative Agent shall promptly so notify the Borrower.

Section 1.07 Change of Currency. (a) Each obligation of the Borrower to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency.

(b) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

(c) Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating to the change in currency.

Section 1.08 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Central time (daylight or standard, as applicable).

Section 1.09 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the Dollar Equivalent of the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II

THE COMMITMENTS AND CREDIT EXTENSIONS

Section 2.01 The Loans.

(a) The Term Loan Borrowing. Subject to the terms and conditions set forth herein, each Term Loan Lender severally agrees to make a loan to the Borrower from time to time, on any Business Day during the Availability Period for the Term Loan Facility, in an aggregate amount such that after giving effect to such Term Loan and the aggregate of Existing Term Loans held by such Lender after giving effect to the provisions of Section 10.20, such Lender's Term Loans do not exceed such Term Loan Lender's Term Loan Commitment;

provided, however, that after giving effect to the Term Loan Borrowing, the Total Outstandings shall not exceed the Borrowing Base then in effect. Each Term Loan Borrowing shall consist of Term Loans made simultaneously by the Term Loan Lenders in accordance with their respective Applicable Percentage of the Term Loan Facility. Amounts borrowed under this Section 2.01(a) and repaid or prepaid may not be reborrowed. Term Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein. Notwithstanding the foregoing, the parties hereto acknowledge and agree that (i) as of the Closing Date after giving effect to Section 10.20 of this Agreement, the Existing Lenders had outstanding to the Borrower under the Existing Credit Agreement Term Loans (as defined in the Existing Credit Agreement) in the principal amount of \$43,000,000, (ii) such Existing Term Loans are hereby deemed extended, continued and advanced as Term Loans hereunder and held by the Lenders hereunder, (iii) from and after the Closing Date, such Existing Term Loans shall be subject to and governed by the terms and conditions of this Agreement as Term Loans, (iv) as of the Closing Date, the Term Loan Lenders have each acquired their Applicable Percentage of the Existing Term Loans.

(b) The Revolving Credit Borrowing. Subject to the terms and conditions set forth herein, each Revolving Credit Lender severally agrees to make loans (each such loan, a "Revolving Credit Loan") to the Borrower in Dollars from time to time, on any Business Day during the Availability Period for the Revolving Credit Facility, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Revolving Credit Commitment; provided, however, that after giving effect to any Revolving Credit Borrowing, (i) the Total Revolving Credit Outstandings shall not exceed the Revolving Credit Facility, (ii) the aggregate Outstanding Amount of the Revolving Credit Loans of any Lender, plus such Revolving Credit Lender's Applicable Revolving Credit Percentage of the Outstanding Amount of all L/C Obligations shall not exceed such Revolving Credit Lender's Revolving Credit Commitment; and (iii) the Total Outstandings shall not exceed the Borrowing Base then in effect. Within the limits of each Revolving Credit Lender's Revolving Credit Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01(b), prepay under Section 2.05, and reborrow under this Section 2.01(b). Revolving Credit Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein. Notwithstanding the foregoing, the parties hereto acknowledge and agree that (i) as of the Closing Date, after giving effect to Section 10.20 of this Agreement, the Existing Lenders had outstanding to the Borrower under the Existing Credit Agreement Revolving Loans (as defined in the Existing Credit Agreement) in the principal amount of \$0.00 (the "Existing Revolving Loans"), (ii) such Existing Revolving Loans are hereby deemed extended, continued and advanced as Revolving Loans hereunder and held by the Lenders hereunder, (iii) from and after the Closing Date, such Existing Revolving Loans shall be subject to and governed by the terms and conditions of this Agreement as Loans, (iv) as of the Closing Date, the Revolving Loan Lenders have each acquired their ratable share of the Existing Revolving Loans.

Section 2.02 Borrowings, Conversions and Continuations of Loans. (a) Each Term Loan Borrowing, each Revolving Credit Borrowing, each conversion of Term Loans or Revolving Credit Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate

Loans to Base Rate Loans and (ii) on the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Except as provided in Sections 2.03(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Term Loan Borrowing, a Revolving Credit Borrowing, a conversion of Term Loans or Revolving Credit Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Term Loans or Revolving Credit Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Term Loans or Revolving Credit Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage under the applicable Facility of the applicable Term Loans or Revolving Credit Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans as described in the preceding subsection. In the case of a Term Loan Borrowing or Revolving Credit Borrowing, each Appropriate Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 2:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date a Committed Loan Notice with respect to a Revolving Credit Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Revolving Credit Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and, second, shall be made available to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of an Event of Default, no Term Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Term Loan Lenders, and no Revolving Credit Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Revolving Lenders.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

After giving effect to all Term Loan Borrowings, all conversions of Term Loans from one Type to the other, and all continuations of Term Loans as the same Type, there shall not be more than five Interest Periods in effect with respect to Term Loans. After giving effect to all Revolving Credit Borrowings, all conversions of Revolving Credit Loans from one Type to the other, and all continuations of Revolving Credit Loans as the same Type, there shall not be more than five Interest Periods in effect in respect of the Revolving Credit Facility.

Section 2.03 Letters of Credit.

(a) The Letter of Credit Commitment. (i) Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the Revolving Credit Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or in one or more Alternative Currencies for the account of the Borrower or its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (2) to honor drawings under the Letters of Credit; and (B) the Revolving Credit Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower or its Subsidiaries and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (w) the Total Revolving Credit Outstandings shall not exceed the Revolving Credit Facility, (x) the aggregate Outstanding Amount of the Revolving Credit Loans of any Revolving Credit Lender, plus such Lender's Applicable Revolving Credit Percentage of the Outstanding Amount of all L/C Obligations, (y) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit, and (z) the Total Outstandings shall not exceed the Borrowing Base then in effect. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) No L/C Issuer shall issue any Letter of Credit if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Revolving Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Revolving Credit Lenders have approved such expiry date.

(iii) No L/C Issuer shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of such L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is in an initial stated amount less than \$25,000, in the case of a commercial Letter of Credit, or \$25,000, in the case of a standby Letter of Credit;

(D) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is to be denominated in a currency other than Dollars or an Alternative Currency;

(E) such L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency;

(F) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(G) a default of any Lender's obligations to fund under Section 2.03(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the applicable L/C Issuer has entered into satisfactory arrangements with the Borrower of such Lender to eliminate such L/C Issuer's risk with respect to such Lender.

(iv) No L/C Issuer shall amend any Letter of Credit if such L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(v) No L/C Issuer shall be under any obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(vi) Each L/C Issuer shall act on behalf of the Revolving Credit Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included such L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to each L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the applicable L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by the applicable L/C Issuer and the Administrative Agent not later than 10:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and such L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount and currency thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as the applicable L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as such L/C Issuer may reasonably require. Additionally, the Borrower shall furnish to the applicable L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as such L/C Issuer or the Administrative Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Unless such L/C Issuer has received written notice from any Revolving Credit Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower (or the applicable Subsidiary) or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Revolving Credit Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Revolving Credit Lender's Applicable Revolving Credit Percentage times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Revolving Credit Lenders shall be deemed to have authorized (but may not require) the applicable L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the applicable L/C Issuer shall not permit any such extension if (A) such L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Revolving Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Revolving Credit Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such L/C Issuer not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the applicable Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment. On a monthly basis, the L/C Issuer shall deliver to the Administrative Agent a complete list of all outstanding Letters of Credit issued by the L/C Issuer as provided in Section 2.03(f).

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable L/C Issuer shall notify the Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in an Alternative Currency, the Borrower shall reimburse the applicable L/C Issuer in such Alternative Currency, unless (A) such L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars, or (B) in the absence of any such requirement for reimbursement in Dollars, the Borrower shall have notified such L/C Issuer promptly following receipt of the notice of drawing that the Borrower will reimburse such L/C Issuer in Dollars. In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in an Alternative Currency, the applicable L/C Issuer shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. Not later than 10:00 a.m. on the date of any payment by any L/C Issuer under a Letter of Credit to be reimbursed in Dollars, or the Applicable Time on the date of any payment by any L/C Issuer under a Letter of Credit to be reimbursed in an Alternative Currency (each such date, an “Honor Date”), the Borrower shall reimburse the applicable L/C Issuer in an amount equal to the amount of such drawing and in the applicable currency. If the Borrower fails to so reimburse the applicable L/C Issuer by such time, such L/C Issuer shall promptly notify the Administrative Agent, who shall then promptly notify each Revolving Credit Lender, of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the “Unreimbursed Amount”), and the amount of such Revolving Credit Lender’s Applicable Revolving Credit Percentage thereof. In such event, the Borrower shall be deemed to have requested a Revolving Credit Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Revolving Credit Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Revolving Credit Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer, in Dollars, at the Administrative Agent’s Office in an amount equal to its Applicable Revolving Credit Percentage of the Unreimbursed Amount not

later than 12:00 noon on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Revolving Credit Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable L/C Issuer in Dollars.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Credit Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Revolving Credit Lender's payment to the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Revolving Credit Lender funds its Revolving Credit Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Revolving Credit Lender's Applicable Revolving Credit Percentage of such amount shall be solely for the account of such L/C Issuer.

(v) Each Revolving Credit Lender's obligation to make Revolving Credit Loans or L/C Advances to reimburse each L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against any L/C Issuer, the Borrower, any Subsidiary or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Revolving Credit Lender's obligation to make Revolving Credit Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse each L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Revolving Credit Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Revolving Credit Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined

by such L/C Issuer in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such L/C Issuer in connection with the foregoing. If such Revolving Credit Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Revolving Credit Loan included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the relevant L/C Issuer submitted to any Revolving Credit Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after any L/C Issuer has made a payment under any Letter of Credit and has received from any Revolving Credit Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of any L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Revolving Credit Percentage thereof in Dollars and in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of any L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Revolving Credit Lender shall pay to the Revolving Credit Administrative Agent for the account of the applicable L/C Issuer its Applicable Revolving Credit Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Revolving Credit Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrower to reimburse each L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any adverse change in the relevant exchange rates or in the availability of the relevant Alternative Currency to the Borrower or any Subsidiary or in the relevant currency markets generally; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any Subsidiary.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will promptly, but in any event, within 48 hours of receipt of such copy, notify the applicable L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of the L/C Issuers. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuers shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Revolving Credit Lenders or the Required Revolving Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e);

provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the applicable L/C Issuer, and the applicable L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, each L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and no L/C Issuer shall be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral.

(i) Upon the request of the Administrative Agent, (A) if any L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, (B) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, or (C) if there shall exist a Defaulting Lender, the Borrower shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations.

(ii) The Administrative Agent may, with respect to outstanding Letters of Credit issued in an Alternative Currency, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations.

(iii) Sections 2.05 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05 and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuers (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked deposit accounts at Bank of America. Reasonable interest shall accrue on any such cash deposit, which accrued interest shall be for the account of the Borrower, subject to this Agreement. If at any time the Administrative Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Administrative Agent or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited as Cash Collateral, an amount equal to the excess of (x) such aggregate Outstanding Amount over (y) the total amount of funds, if any, then held as

Cash Collateral that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the applicable L/C Issuer.

(h) Applicability of ISP and UCP. Unless otherwise expressly agreed by the applicable L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender in accordance with its Applicable Revolving Credit Percentage, in Dollars, a Letter of Credit fee (the "Letter of Credit Fee") (i) for each commercial Letter of Credit equal to 0.125 of 1% times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit and (ii) for each standby Letter of Credit equal to the Applicable Rate times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. Letter of Credit Fees shall be (A) due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (B) computed on a quarterly basis in arrears. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each standby Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, while any Letter of Credit Fee is not paid when due, all such overdue Letter of Credit Fees shall accrue at the Default Rate.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the applicable L/C Issuer for its own account, in Dollars, a fronting fee (i) with respect to each commercial Letter of Credit or any amendment of a commercial Letter of Credit increasing the amount of such Letter of Credit, at a rate and on terms separately agreed between the Borrower and the applicable L/C Issuer (including, without limitation, as to the time of payment of such fee), and (ii) with respect to each standby Letter of Credit, at the rate per annum agreed upon from time to time between the Borrower and such L/C Issuer (which in the case of Bank of America as L/C Issuer shall be the rate specified in the Fee Letter), computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears. Such fronting fee for each standby Letter of Credit shall be due and payable on the last Business Day of each March, June, September and December in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. In addition, the Borrower shall pay directly to each L/C Issuer for its own account, in Dollars, the customary

issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(l) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

Section 2.04 Borrowing Base Calculations; Inclusion of Assets in Borrowing Base. (a) At any time when the Total Outstandings equal or exceed \$50,000,000, based on the most recent Borrowing Base Certificate delivered by the Borrower to the Administrative Agent, the Administrative Agent shall in its good faith credit judgment determine which Accounts, Rental Equipment and Specified Rigs shall be "Eligible Accounts", "Eligible Rental Equipment," and "Eligible Specified Rigs", respectively, for purposes of this Agreement, utilizing the criteria set forth in the definitions for such terms set forth in Section 1.01.

(b) Concurrently with delivery by the Borrower to the Administrative Agent of (i) any notice designating any Swap Contract as a "Secured Hedge Agreement" and (ii) any Borrowing Base Certificate, the Borrower will deliver to the Administrative Agent a report from the relevant counterparty setting forth the Swap Termination Value of such Swap Contract, determined in accordance with procedures customary in the relevant market. The Administrative Agent will calculate from time to time the net amount of the Swap Termination Values of all Secured Hedge Agreements on the basis of such counterparty report, and if such net amount is unfavorable to the Borrower (i.e., the Borrower would owe a net amount under all Secured Hedge Agreements if all Specified Hedge Agreements were terminated on such date), the Administrative Agent may, and at the request of the Required Lenders, will, establish a reserve for purposes of calculating the Borrowing Base pursuant to the definition thereof set forth in Section 1.01 in an amount equal to such net unfavorable amount, and will maintain such reserve until the next determination by the Administrative Agent pursuant to this paragraph.

(c) During any period when the Applicable Rate is Pricing Level 3, in the event that a Casualty Event has occurred related to any Borrowing Base Collateral, to the extent the Net Loss Proceeds received by the Borrower or any Loan Party with respect to such Casualty Event exceed \$5,000,000 and have not been applied or budgeted to be applied to repair, restore or replace the Property affected by such Casualty Event within the earlier of 90 days after the occurrence thereof and 30 days after the receipt of such Net Loss Proceeds, the Administrative Agent, in the exercise of its Permitted Discretion may, and at the request of the Required Lenders shall, reduce the Borrowing Base based upon its review of such Casualty Event; provided that the Borrowing Base shall not be reduced by an amount greater than (i) the lesser of (A) 100% of

such Net Loss Proceeds and (B) the Net Specified Rigs OLV or Net Book Value, as applicable, for the affected Borrowing Base Collateral, or (ii) in the case of a total loss or taking of such Collateral, the Net Specified Rigs OLV or Net Book Value, as applicable, for the affected Borrowing Base Collateral (in either case, the “Casualty Adjustment Amount”); and provided further that if the Borrowing Base is reduced pursuant to this section, the Borrowing Base shall be increased by the corresponding Casualty Adjustment Amount or other applicable amount determined in accordance with the definition of “Borrowing Base” upon the repair or replacement of such Borrowing Base Collateral through the application of such Net Loss Proceeds (or an equivalent amount of other funds).

Section 2.05 Prepayments.

(a) Optional. Subject to the last sentence of this Section 2.05(a), the Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Term Loans and Revolving Credit Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender’s ratable portion of such prepayment (based on such Lender’s Applicable Percentage in respect of the relevant Facility). If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each prepayment of the outstanding Term Loans pursuant to this Section 2.05(a) shall be applied to the principal repayment installments thereof on a pro-rata basis, and each such prepayment shall be paid to the Lenders in accordance with their respective Applicable Percentages in respect of each of the relevant Facilities. Notwithstanding anything to the contrary contained herein, the Borrower shall not be permitted to prepay the Term Loan Facility pursuant to this Section 2.05(a) during the period from the Closing Date through the date ten Business Days thereafter.

(b) Mandatory.

(i) If for any reason the Total Outstandings at any time exceed the lesser of the Borrowing Base at such time and the Aggregate Commitments at such time, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations (other than the L/C Borrowings) in an aggregate amount equal to such excess. If such Borrowing Base deficiency occurs as a result of a reduction in the Borrowing Base pursuant to Section 2.04(c) as a result of a Casualty Event, the Borrower shall utilize the Net Loss Proceeds of such Casualty Event, when received, to take the action described in

the preceding sentence. The Administrative Agent may, at any time and from time to time after the initial deposit of such Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.

(ii) Each prepayment of Loans pursuant to the foregoing Section 2.05(b)(i) shall be applied, first, ratably to the principal repayment installments of the Term Loan Facility on a pro-rata basis and, second, to the Revolving Credit Facility in the following manner: first, ratably to the L/C Borrowings, second, ratably to the outstanding Revolving Credit Loans, and, third, to Cash Collateralize the remaining L/C Obligations. Upon the drawing of any Letter of Credit that has been Cash Collateralized, the funds held as Cash Collateral shall be applied (without any further action by or notice to or from the Borrower or any other Loan Party) to reimburse the relevant L/C Issuer or the Revolving Credit Lenders, as applicable.

Section 2.06 Termination or Reduction of Commitments.

(a) Optional. The Borrower may, upon notice to the Administrative Agent, terminate the Revolving Credit Facility or Letter of Credit Sublimit, or from time to time permanently reduce the Revolving Credit Facility or the Letter of Credit Sublimit; provided that (i) any such notice shall be received by the Administrative Agent not later than 10:00 a.m. three Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce (A) the Revolving Credit Facility if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Revolving Credit Outstandings would exceed the Revolving Credit Facility, (B) the Letter of Credit Sublimit if, after giving effect thereto, the Outstanding Amount of L/C Obligations not fully Cash collateralized hereunder would exceed the Letter of Credit Sublimit, and (iv) if, after giving effect to any reduction of the Revolving Credit Facility, the Letter of Credit Sublimit exceeds the amount of the Revolving Credit Facility, the Letter of Credit Sublimit shall be automatically reduced by the amount of such excess.

(b) Mandatory. The aggregate Term Loan Commitments shall be automatically and permanently reduced to zero on the last day of the Availability Period for the Term Loan Facility.

(c) Application of Commitment Reductions; Payment of Fees.

(i) The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Letter of Credit Sublimit or the Revolving Credit Commitments under this Section 2.06. Upon any reduction of the Revolving Credit Commitments, the Revolving Credit Commitment of each Revolving Credit Lender shall be reduced by such Lender's Applicable Revolving Credit Percentage of such reduction amount. All fees in respect of the Revolving Credit Facility accrued until the effective date of any termination of the Revolving Credit Facility shall be paid on the effective date of such termination.

(ii) The Administrative Agent will promptly notify the Lenders of any termination or reduction of the unused portion of the aggregate Term Loan Commitments under this Section 2.06. Upon any reduction of the unused portion of the aggregate Term Loan Commitments, the Term Loan Commitment of each Term Loan Lender shall be reduced by such Lender's ratable portion of such reduction amount. All fees in respect of the Term Loan Facility accrued until the effective date of any termination of the Term Loan Facility shall be paid on the effective date of such termination.

Section 2.07 Repayment of Loans.

(a) Term Loans. The Borrower shall repay to the Term Loan Lenders the aggregate principal amount of all Term Loans outstanding on the following dates in the respective amounts set forth opposite such dates (which amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.06):

<u>Date</u>	<u>Amount</u>
March 31, 2013	\$2,500,000
June 30, 2013	\$2,500,000
September 30, 2013	\$2,500,000
December 31, 2013	\$2,500,000
March 31, 2014	\$2,500,000
June 30, 2014	\$2,500,000
September 30, 2014	\$2,500,000
December 31, 2014	\$2,500,000
March 31, 2015	\$2,500,000
June 30, 2015	\$2,500,000
September 30, 2015	\$2,500,000
December 31, 2015	\$2,500,000
March 31, 2016	\$2,500,000
June 30, 2016	\$2,500,000
September 30, 2016	\$2,500,000
December 31, 2016	\$2,500,000
March 31, 2017	\$2,500,000
June 30, 2017	\$2,500,000
September 30, 2017	\$2,500,000

provided, however, that the final principal repayment installment of the Term Loans shall be repaid on the Maturity Date for the Term Loan Facility and in any event shall be in an amount equal to the aggregate principal amount of all Term Loans outstanding on such date.

(b) Revolving Credit Loans. The Borrower shall repay to the Revolving Credit Lenders on the Maturity Date for the Revolving Credit Facility the aggregate principal amount of all Revolving Credit Loans outstanding on such date.

Section 2.08 Interest. (a) Subject to the provisions of Section 2.08(b), (i) each Eurodollar Rate Loan under a Facility shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate for such Facility; and (ii) each Base Rate Loan under a Facility shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for such Facility.

(b) (i) If any amount of principal of any Loan or L/C Borrowing is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, all outstanding Loans and L/C Borrowings (whether or not overdue) shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).

(ii) If any amount (other than principal of any Loan or L/C Borrowing) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then such overdue amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

Section 2.09 Fees. In addition to certain fees described in Sections 2.03(i) and (j):

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender in accordance with its Applicable Revolving Credit Percentage, a commitment fee equal to the Applicable Fee Rate times the actual daily amount by which the Revolving Credit Facility exceeds the sum of (i) the Outstanding Amount of Revolving Credit Loans and (ii) the Outstanding Amount of L/C Obligations. In addition, the Borrower shall pay to the Administrative Agent for the account of each Term Loan Lender in accordance with its Applicable Percentage of the Term Loan Facility, a commitment fee equal to the Applicable Fee Rate times the actual daily amount by which the aggregate Term Loan Commitments exceed the Outstanding Amount of Term Loans. The commitment fee shall accrue at all times during the relevant Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and, in the case of the commitment fee with respect to the Revolving Credit Facility, on the last day of the Availability Period for the Revolving Credit Facility or, in the case of the commitment fee with respect to the Term Loan

Facility, on the last day of the Availability Period for the Term Loan Facility. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Fee Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Fee Rate separately for each period during such quarter that such Applicable Fee Rate was in effect.

(b) Other Fees.

(i) The Borrower shall pay to the Arranger and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Borrower shall pay to the Lenders, in Dollars, such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

Section 2.10 Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate. (a) All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year) or, in the case of interest in respect of Loans denominated in Alternative Currencies as to which market practice differs from the foregoing, in accordance with such market practice. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(b) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Consolidated Leverage Ratio would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or the L/C Issuers, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent, any Lender or any L/C Issuer), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or any L/C Issuer, as the case may be, under Section 2.03(c)(iii), 2.03(i) or 2.08(b) or under Article VIII. The Borrower's obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

Section 2.11 Evidence of Debt. (a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount, and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in Section 2.11(a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

Section 2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. If, for any reason, the Borrower is prohibited by any Law from making any required payment hereunder in an Alternative Currency, the Borrower shall make such payment in Dollars in the Dollar Equivalent of the Alternative Currency payment amount. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage in respect of the relevant Facility (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent (i) after 2:00 p.m., in the case of payments in Dollars, or (ii) after the Applicable Time specified by the Administrative Agent in the case of payments in an Alternative Currency, shall in each case be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. The Borrower agrees that, if an Event

of Default shall have occurred and is continuing, the Administrative Agent may (and the Administrative Agent hereby agrees that it shall) (A) cause each bank that maintains any account subject to a Control Agreement or a Lockbox Agreement to transfer, on a daily basis, all collected funds in any such account to a Concentration Account and (B) apply any amounts on deposit in a Concentration Account to repay Loans whenever any Loans are outstanding.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuers hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Appropriate Lenders or L/C Issuers, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Appropriate Lenders or L/C Issuers, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to the Borrower as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Term Loans and Revolving Credit Loans, to fund participations in Letters of Credit and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, L/C Borrowings, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal and L/C Borrowings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and L/C Borrowings then due to such parties.

Section 2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Obligations in respect of any the Facilities due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facilities due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facilities due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations in respect of any of the Facilities owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share

(according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facilities owing (but not due and payable) to all Lenders hereunder and under the other Loan Parties at such time) of payment on account of the Obligations in respect of the Facilities owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations in respect of the Facilities then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 2.14 Increase in Revolving Credit Facility.

(a) Request for Increase. Provided no Event of Default has occurred and is continuing, upon notice to the Administrative Agent (which shall promptly notify the Revolving Credit Lenders), the Borrower may from time to time (including on the Closing Date), request an increase in the Revolving Credit Facility by an amount (for all such requests) not exceeding \$50,000,000; provided, however, that (i) any such request for an increase shall be in a minimum amount of \$10,000,000, (ii) the Borrower may make a maximum of three such requests, and (iii) after giving effect to such increase, the Aggregate Commitments shall not be in excess of \$180,000,000. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Revolving Credit Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Revolving Credit Lenders).

(b) Lender Elections to Increase. Each Revolving Credit Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Revolving Credit Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Revolving Credit Percentage of such requested increase. Any Revolving Credit Lender not responding within such time period shall be deemed to have declined to increase its Revolving Credit Commitment.

(c) Notification by Administrative Agent; Additional Revolving Credit Lenders. The Administrative Agent shall notify the Borrower and each Revolving Credit Lender of the Revolving Credit Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase, and subject to the approval of the Administrative Agent and the L/C Issuers (which approvals shall not be unreasonably withheld), the Borrower may also invite additional Eligible Assignees to become Revolving Credit Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Effective Date and Allocations. If the Revolving Credit Facility is increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the "Revolving Credit Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Revolving Credit Lenders of the final allocation of such increase and the Revolving Credit Increase Effective Date.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of each Loan Party dated as of the Revolving Credit Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the Revolving Credit Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.14, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01, and (B) no Event of Default has occurred or is continuing. The Borrower shall prepay any Revolving Credit Loans outstanding on the Revolving Credit Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) to the extent necessary to keep the outstanding Revolving Credit Loans ratable with any revised Applicable Revolving Credit Percentages arising from any nonratable increase in the Revolving Credit Commitments under this Section.

(f) Conflicting Provisions. This Section shall supersede any provisions in Section 2.13 or 10.01 to the contrary.

Section 2.15 Increase in Term Loan Facility.

(a) Request for Increase. Provided no Event of Default has occurred and is continuing, upon notice to the Administrative Agent (which shall promptly notify the Term Loan Lenders), the Borrower may from time to time (including on the Closing Date), request an increase in the Term Loans by an amount (for all such requests) not exceeding \$50,000,000; provided, however, that (i) any such request for an increase shall be in a minimum amount of \$10,000,000, (ii) the Borrower may make a maximum of three such requests, and (iii) after giving effect to such increase, the Aggregate Commitments shall not be in excess of \$180,000,000. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Term Loan Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Term Loan Lenders).

(b) Lender Elections to Increase. Each Term Loan Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Term Loans and, if so, whether by an amount equal to, greater than, or less than its ratable portion (base on such Term Loan Lender's Applicable Percentage in respect of the Term Loan Facility) of such requested increase. Any Term Loan Lender not responding within such time period shall be deemed to have declined to increase its Term Loans.

(c) Notification by Administrative Agent; Additional Term Loan Lenders. The Administrative Agent shall notify the Borrower and each Term Loan Lender of the Term Loan Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld), the Borrower may also invite additional Eligible Assignees to become Term Loan Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Effective Date and Allocations. If the Term Loans are increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the "Term Loan Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Term Loan Lenders of the final allocation of such increase and the Term Loan Increase Effective Date. As of the Term Loan Increase Effective Date, the amortization schedule for the Term Loans set forth in Section 2.07(a) shall be amended to increase the then-remaining unpaid installments of principal by an aggregate amount equal to the additional Term Loans being made on such date, such aggregate amount to be applied to increase such installments ratably in accordance with the amounts in effect immediately prior to the Term Loan Increase Effective Date. Such amendment may be signed by the Administrative Agent on behalf of the Lenders.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of each Loan Party dated as of the Term Loan Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase, (A) the representations

and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the Term Loan Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.15, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01, and (B) no Event of Default has occurred or is continuing. The additional Term Loans shall be made by the Term Loan Lenders participating therein pursuant to the procedures set forth in Section 2.02.

(f) Conflicting Provisions. This Section shall supersede any provisions in Section 2.13 or 10.01 to the contrary.

Section 2.16 Defaulting Lenders.

(a) Amendments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 10.01.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payments of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a *pro rata* basis of any amounts owing by such Defaulting Lender to the L/C Issuer hereunder; third, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.03(g), fourth, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released *pro rata* in order to (A) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (B) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.03(g), sixth, to the payment of any amounts owing to the Lenders, or the L/C Issuer as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by any Lender or the L/C Issuer against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by the Borrower

against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Borrowings in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations are held by the Lenders *pro rata* in accordance with the Commitments hereunder without giving effect to Section 2.16(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.03.

(C) With respect to any fee payable under Section 2.09 or any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (I) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (II) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's Fronting Exposure to such Defaulting Lender, and (III) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (A) the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have

represented and warranted that such conditions are satisfied at such time), and (B) such reallocation does not cause the aggregate Total Revolving Credit outstanding of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Credit Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender's having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (a)(iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under applicable Law, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.03(g).

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the L/C Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Revolving Credit Loans of the other Lender or take such other actions as the Administrative Agent may determine to be necessary to cause the Revolving Credit Loans and funded and unfunded participations in Letters of Credit to be held on a *pro rata* basis by the Revolving Credit Lenders in accordance with their Revolving Credit Commitments (without giving effect to Section 2.18(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

Section 3.01 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the Borrower or the Administrative Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the Borrower or the Administrative Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If the Borrower or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) the Borrower or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Borrower or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount so withheld or deducted by it to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(c) Tax Indemnifications.

(i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall, and does hereby, indemnify the Administrative Agent, each Lender and each L/C Issuer, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) withheld or deducted by the Borrower or the Administrative Agent or paid by the Administrative Agent, such Lender or such L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with

respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Borrower shall also, and does hereby, indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender or L/C Issuer for any reason fails to pay indefeasibly to the Administrative Agent as required by clause (ii) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender or L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or L/C Issuer, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender and L/C Issuer shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (A) the Administrative Agent, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel) incurred by or asserted against the Administrative Agent by any Governmental Authority as a result of the failure by such Lender or such L/C Issuer, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender or such L/C Issuer, as the case may be, to the Administrative Agent pursuant to subsection (e) and (B) the Borrower against any Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel) attributable to such Lender's failure to comply with the provisions of Section 10.06(d) relating to the maintenance of a Participant Register. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent or the Borrower, as relevant, shall be conclusive absent manifest error. Each Lender and each L/C Issuer hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or such L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender or any L/C Issuer, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all other Obligations.

(d) Evidence of Payments. Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or the Administrative Agent to a Governmental Authority as provided in this Section 3.01, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation. (i) Each Lender shall deliver to the Borrower and to the Administrative Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Laws or by the taxing

authorities of any jurisdiction and such other reasonably requested information as will permit the Borrower or the Administrative Agent, as the case may be, to determine (A) whether or not payments made by the Borrower hereunder or under any other Loan Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in the applicable jurisdictions.

(ii) Without limiting the generality of the foregoing, if the Borrower is resident for tax purposes in the United States,

(A) any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent, as the case may be, to determine whether or not such Lender is subject to backup withholding or information reporting requirements; and

(B) each Foreign Lender that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(I) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(II) executed originals of Internal Revenue Service Form W-8ECI,

(III) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation,

(IV) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W-8BEN, or

(V) executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States Federal withholding tax together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(iii) Each Lender shall promptly (A) notify the Borrower and the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the Borrower or the Administrative Agent make any withholding or deduction for taxes from amounts payable to such Lender.

(iv) The Borrower shall promptly deliver to the Administrative Agent or any Lender, as the Administrative Agent or such Lender shall reasonably request, on or prior to the Closing Date, and in a timely fashion thereafter, such documents and forms required by any relevant taxing authorities under the Laws of any jurisdiction, duly executed and completed by the Borrower, as are required to be furnished by such Lender or the Administrative Agent under such Laws in connection with any payment by the Administrative Agent or any Lender of Taxes or Other Taxes, or otherwise in connection with the Loan Documents, with respect to such jurisdiction.

(v) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or time reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender or an L/C Issuer, or have any obligation to pay to any Lender or any L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or such L/C Issuer, as the case may be. If the Administrative Agent, any Lender or any L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid

additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses and net of any loss or gain realized in the conversion of such funds from or to another currency incurred by the Administrative Agent, such Lender or any L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Lender or such L/C Issuer, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or such L/C Issuer in the event the Administrative Agent, such Lender or such L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or any L/C Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(g) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

Section 3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all such Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the

obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

Section 3.04 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate) or any L/C Issuer;

(ii) subject any Lender or any L/C Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender or such L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or such L/C Issuer); or

(iii) impose on any Lender or any L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or such L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or such L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or such L/C Issuer, the Borrower will pay to such Lender or such L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or any L/C Issuer determines that any Change in Law affecting such Lender or such L/C Issuer or any Lending Office of such Lender or such Lender's or such L/C Issuer's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such L/C Issuer's capital or on the capital of such Lender's or such L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such L/C Issuer, to a level below that which such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such L/C Issuer's policies and the

policies of such Lender's or such L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or such L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or such L/C Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or any L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or such L/C Issuer's right to demand such compensation, provided that no Borrower shall be required to compensate a Lender or L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or such L/C Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower;

(c) any failure by the Borrower to make payment of drawing under any Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency; or

(d) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13;

excluding any loss of anticipated profits, but including any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

Section 3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender, any L/C Issuer, or any Governmental Authority for the account of any Lender or any L/C Issuer pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then, at the request of Borrower, such Lender or such L/C Issuer shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or such L/C Issuer, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender or such L/C Issuer, as the case may be, to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or such L/C Issuer, as the case may be. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or any L/C Issuer in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Non-Consenting Lender or a Defaulting Lender, the Borrower may replace such Lender in accordance with Section 10.13.

Section 3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

ARTICLE IV

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.01 Conditions of Initial Credit Extension. The obligation of each L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement and Subsidiary Guaranty (or amendment thereto), sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) an irrevocable proxy, pledge and security agreement, in substantially the form of Exhibit G (together with each other irrevocable proxy, pledge and security agreement and irrevocable proxy, pledge and security agreement supplement delivered pursuant to Section 6.09, in each case as amended, the "Security Agreement" or an amendment to the Security Agreement), duly executed by each Loan Party, together with:

(A) certificates representing the Pledged Equity referred to therein accompanied by undated transfer powers executed in blank or, if any of the Pledged Equity shall be uncertificated securities, confirmation and evidence satisfactory to the Administrative Agent that the security interest in such uncertificated securities has been transferred to and perfected by the Administrative Agent for the benefit of the Secured Parties in accordance with Section 9-106 of the Uniform Commercial Code, and instruments evidencing the Pledged Debt indorsed in blank,

(B) proper Financing Statements in form appropriate for filing under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Security Agreement, covering the Collateral described in the Security Agreement,

(C) completed requests for information, dated on or before the date of the initial Credit Extension, listing all effective financing statements filed in the jurisdictions referred to in clause (B) above that name any Loan Party as debtor, together with copies of such other financing statements,

(D) *(reserved)*,

(E) the Control Agreements (or amendments thereto, to the extent deemed necessary by the Administrative Agent) duly executed by the appropriate parties, and

(F) evidence that all other action, recordings and filings that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Security Agreement has been taken (including receipt of duly executed payoff letters, UCC-3 termination statements and consent agreements) or arrangements therefor satisfactory to the Administrative Agent shall have been made;

(iv) a first preferred fleet mortgage, in substantially the form of Exhibit H (with such changes as may be satisfactory to the Administrative Agent and its counsel to account for local law matters or, as appropriate, an amendment to an existing first preferred fleet mortgage) and covering each of the Specified Rigs listed on Schedule 5.07 (together with each other mortgage and mortgage supplement or amendment delivered pursuant to Section 6.09, in each case as amended, the "Mortgages"), duly executed by the appropriate Loan Party, together with:

(A) evidence that counterparts of the Mortgages have been duly executed, acknowledged and delivered and are in form suitable for filing or recording with the United States Coast Guard and all other filing or recording offices that the Administrative Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the "vessels" described therein in favor of the Administrative Agent for the benefit of the Secured Parties and that all filing, documentary, stamp, intangible and recording taxes and fees have been paid (or arrangements for such payment satisfactory to the Administrative Agent shall have been made),

(B) evidence of the insurance required by the terms of the Mortgages, and

(C) evidence that all other action that the Administrative Agent may deem necessary or desirable in order to create valid first and subsisting Liens on the property described in the Mortgages has been taken, including delivery of an abstract of title, certificate of ownership, copy of certificate of documentation, and copy of certificate of financial responsibility (for each jurisdiction where applicable) with respect to each Specified Rig;

(v) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party;

(vi) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each of the Borrower and each Subsidiary Guarantor is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(vii) a favorable opinion of Baker Botts L.L.P., counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, in substantially the form of Exhibit I-1 and such other matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(viii) a favorable opinion of J. Edward Menger, associate general counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, in substantially the form of Exhibit I-2 and such other matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(ix) a certificate of a Responsible Officer of each Loan Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(x) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the most recent Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(xi) copies of the Audited Financial Statements and unaudited interim consolidated financial statements of the Borrower and its consolidated Subsidiaries for each fiscal quarterly period ended subsequent to December 31, 2011 as to which such financial statements are available, accompanied by a certificate of a Responsible Officer of the Borrower;

(xii) the consolidated balance sheet, and statements of earnings and cash flows of the Borrower, prepared on a pro forma basis, and projections of the revenues, expenses, and cash flows of the Borrower covering the period from the Closing Date through December 31, 2012, prepared on a quarterly basis for each fiscal year ending on December 31, 2013 and December 31, 2014 and an annual basis for each fiscal year

December 31, 2015, December 31, 2016, and December 31, 2017 (the “Initial Projections”), prepared by a Responsible Officer of the Borrower having responsibility over financial matters, all in form and substance satisfactory to the Administrative Agent;

(xiii) the Initial Appraisal Report;

(xiv) if the initial Credit Extension shall be in an aggregate principal amount equal to or greater than \$50,000,000, a Borrowing Base Certificate duly certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower relating to the initial Credit Extension;

(xv) certificates of insurance, naming the Administrative Agent, on behalf of the Secured Parties, as an additional insured or loss payee, as the case may be, under all insurance policies maintained with respect to the assets and properties of the Loan Parties that constitutes Collateral;

(xvi) a duly completed Compliance Certificate as of the last day of the fiscal quarter of the Borrower ended September 30, 2012, signed by the chief financial officer of the Borrower; and

(xvii) such other assurances, certificates, documents (including “know your customer” requirements), consents or opinions as the Administrative Agent, the L/C Issuers, or any Lender reasonably may require.

(b) The Administrative Agent, Lenders and Arranger shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced prior to the Closing Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder (including all such reasonable fees, charges and disbursements of counsel to the Administrative Agent, paid directly to such counsel if requested by the Administrative Agent).

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document (a draft of which such Lender has reviewed) or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 Conditions to all Credit Extensions. The obligation of each Lender to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type, or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower and each other Loan Party contained in Article V or any other Loan Document or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the

extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default shall exist, or would result from such proposed Credit Extension or the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, one of the L/C Issuers shall have received a Request for Credit Extension in accordance with the requirements hereof.

(d) At any time when the Total Outstandings equal or exceed \$50,000,000, the Administrative Agent shall be satisfied that the Borrowing Base exceeds the Outstanding Amount of the Term Loans, Revolving Credit Loans and L/C Obligations at such time, after giving effect to such Credit Extension.

(e) In the case of a Credit Extension in the form of any Letter of Credit to be denominated in an Alternative Currency, there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Administrative Agent or the applicable L/C Issuer would make it impracticable for such Credit Extension to be denominated in the relevant Alternative Currency.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

Section 5.01 Existence; Compliance with Law. Each Loan Party (a) is duly organized or formed, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its organization or formation, (b) has the requisite power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified and licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification except to the extent that the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.02 Power; Authorization; Enforceable Obligations. Each Loan Party has the requisite power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with (a) the borrowings hereunder, (b) the execution, delivery, performance, validity or enforceability against any Loan Party of this Agreement or any of the other Loan Documents, (c) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (d) the perfection or maintenance of the Liens created under the Collateral Documents (including the first priority nature thereof), or (e) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except (i) consents, authorizations, filings and notices described in Schedule 5.02, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect (except as noted on Schedule 5.18), (ii) the filings referred to in Section 5.18, (iii) in the case of any authorization, approval, action, notice or filing from or with a Person other than a Governmental Authority, the failure to have could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iv) for matters that may be required after the Closing Date in the ordinary course of conducting the business of the Borrower or any Subsidiary thereof. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 5.03 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law nor any material Contractual Obligation of the Borrower or any of its Subsidiaries, including, without limitation, arising under any of the Indentures, and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Collateral Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.04 No Material Litigation. No litigation, investigation, claim or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower after due and diligent investigation, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document or any of the

transactions contemplated hereby or thereby, or (b) except as specifically disclosed in Schedule 5.04, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on any Loan Party or any Subsidiary thereof, of the matters described in Schedule 5.04.

Section 5.05 Financial Statements; No Material Adverse Effect. (a) The Audited Financial Statements, reported on by and accompanied by an unqualified report from an independent certified public accounting firm of national reputation, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at December 31, 2010 and December 31, 2011, as applicable, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended.

(b) The unaudited consolidated balance sheet of the Borrower and its Subsidiaries at September 30, 2012, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the quarterly period then ended (subject to the absence of footnotes and normal year-end audit adjustments).

(c) All such financial statements described in subsections (a) and (b) of this Section, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the applicable accounting firm and disclosed therein). As of the Closing Date, the Borrower and its Subsidiaries do not have any material Guarantees, contingent liabilities and liabilities for taxes (except for any such tax liabilities to taxing authorities outside of the United States which are not, in the aggregate, material to the Borrower and its Subsidiaries taken as a whole) or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the unaudited consolidated balance sheet of the Borrower and its Subsidiaries at September 30, 2012, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, and which should be so reflected in accordance with GAAP. During the period from December 31, 2011 to and including the Closing Date, there has been no Disposition by the Borrower or any of its Subsidiaries of any material part of its business or Property, except as reflected in the financial statements described in subsections (a) and (b) of this Section which were delivered prior to the Closing Date.

(d) Since December 31, 2011, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(e) The Projections of the Borrower and its consolidated Subsidiaries, copies of which have heretofore been furnished to the Lenders, have been prepared in good faith under the direction of a Responsible Officer of the Borrower having responsibility for financial matters, and in accordance with GAAP based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made. The Borrower has no reason to believe that as of the date of delivery thereof such Projections are materially misleading in any material respect in light of the circumstances under which made, or omit to state any material

fact which would render them misleading in any material respect, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

Section 5.06 No Default. Neither any Loan Party nor any Subsidiary thereof is in default under or with respect to any of its Contractual Obligations in any respect that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

Section 5.07 Ownership of Property; Liens. Each Loan Party has good record and marketable title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material Property, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and none of such Property is subject to any Lien except Liens permitted by Section 7.01. Schedule 5.07 sets forth a complete and accurate list, as of the Closing Date, of all barge rigs located and operating in the continental United States or Gulf of Mexico waters subject to state or Federal jurisdiction owned by each Loan Party and each of its Subsidiaries, showing as of the Closing Date the record owner and registration number as contained in the official records of the National Vessel Documentation Center of the United States Coast Guard.

Section 5.08 Intellectual Property. Each Loan Party owns, or is licensed to use, all material Intellectual Property necessary for the conduct of its business as currently conducted; no material claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim; and the use of such Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect.

Section 5.09 Taxes. Each of the Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns and reports that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings diligently conducted in each case, with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); and no tax Lien has been filed (except as permitted by Section 7.01(a)), and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge (other than any such Liens and claims in favor of taxing authorities outside of the United States which are not, in the aggregate, material to the Borrower and its Subsidiaries taken as a whole). Neither the Borrower nor any Subsidiary thereof is party to any tax sharing agreement.

Section 5.10 Federal Regulations. No part of the proceeds of any Loans will be used in violation of Regulation U issued by the FRB as now and from time to time hereafter in effect or for any purpose that violates the provisions of the regulations of the FRB.

Section 5.11 Labor Matters. There are no strikes or other labor disputes against the Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Borrower and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from the Borrower or any of its Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Borrower or the relevant Subsidiary.

Section 5.12 ERISA Compliance. (a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws, except where such non-compliance has not had and could not reasonably be expected to have a Material Adverse Effect. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect, the Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) Except to the extent such event could not reasonably be expected to have a Material Adverse Effect: (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

(d) With respect to each scheme or arrangement mandated by a government other than the United States (a “Foreign Government Scheme or Arrangement”) and with respect to each employee benefit plan maintained or contributed to by any Loan Party or any Subsidiary of any Loan Party that is not subject to United States law (a “Foreign Plan”), each Foreign Plan is in compliance in all material respects with the provisions of the applicable law or terms of the applicable Foreign Government Scheme or Arrangement, except where such non-compliance has not had and could not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Investment Company Act; Other Regulations. No Loan Party is an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the FRB) which limits its ability to incur Indebtedness.

Section 5.14 Subsidiaries. (a) The Subsidiaries listed on Schedule 5.14 constitute all of the Subsidiaries of the Borrower at the Closing Date. Schedule 5.14 sets forth as of the Closing Date the name and jurisdiction of incorporation and, in the case of each Loan Party, the U.S. taxpayer identification number of each such Subsidiary and, as to each, the percentage of each class of Equity Interest owned by each Loan Party. All of the outstanding Equity Interests in such Subsidiaries have been validly issued, and fully paid and non-assessable (except to the extent after the Closing Date any such Subsidiary is Disposed or liquidated in compliance with this Agreement) and, with respect to Equity Interests that are Collateral, are owned free and clear of all Liens except those created under the Collateral Documents. As of the Closing Date, the Borrower has no Investments in any other corporation or entity other than those specifically disclosed in Schedule 5.14. Schedule 5.14 identifies as of the Closing Date each Material Subsidiary, Immaterial Subsidiary, Project Finance Subsidiary and Excluded Subsidiary.

(b) As of the Closing Date, there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than Equity Interests granted to employees and/or directors) of any nature relating to any Equity Interests of the Borrower or any Subsidiary, except as disclosed on Schedule 5.14.

Section 5.15 Use of Proceeds. The proceeds of the Loans, and the Letters of Credit, shall be used for the general corporate purposes of the Borrower and its Subsidiaries not in contravention of any Law or any Loan Document, including to repay the Indebtedness under the Existing Credit Agreement and to fund acquisitions and capital expenditures.

Section 5.16 Environmental Matters. Other than as set forth on Schedule 5.16 and exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) The Borrower and its Subsidiaries: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current or intended operations or for any property owned, leased, or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with, without material expense; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) Hazardous Materials are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by the Borrower or any of its Subsidiaries, or at any other location (including, without limitation, any location to which Hazardous Materials have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of the Borrower or any of its Subsidiaries under any applicable Environmental Law or otherwise result in costs to the Borrower or any of its Subsidiaries, or (ii) interfere with the Borrower's or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any real property owned or leased by the Borrower or any of its Subsidiaries.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which the Borrower or any of its Subsidiaries is, or to the knowledge of the Borrower or any of its Subsidiaries will be, named as a party that is pending or, to the knowledge of the Borrower or any of its Subsidiaries, threatened.

(d) Neither the Borrower nor any of its Subsidiaries has received any written request for information, or been notified that it is a potentially responsible party under or relating to the CERCLA or any similar Environmental Law, or with respect to any Hazardous Material.

(e) Neither the Borrower nor any of its Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Neither the Borrower nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Hazardous Material other than indemnity obligations in the ordinary course of business.

Section 5.17 Accuracy of Information, etc. No written statement or information contained in this Agreement, any other Loan Document or any other document, certificate or written statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated hereby and the negotiation of this Agreement or the other Loan Documents or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished), contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein, taken as a whole, not materially misleading in light of the circumstances under which made; provided that with respect to the Projections, the Borrower only makes the representation and warranty set forth in Section 5.05(e).

Section 5.18 Collateral Documents. The provisions of the Collateral Documents are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable Lien on all right, title and interest of the respective Loan Parties in the Collateral described therein and proceeds thereof. When financing statements in appropriate form are filed in the offices specified on Schedule 5.18, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral (other than the Specified Rigs) and the proceeds thereof, as security for the Secured Obligations (as defined in the Security Agreement), in each case prior and superior in right to any other Person (except Liens permitted by Section 7.01), to the extent such security interest can be perfected by any filing of UCC financing statements. When the Mortgage is filed for recording in the National Vessel Documentation Center of the United States Coast Guard located in Falling Waters, West Virginia, the Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Specified Rigs and such other Collateral described therein and the proceeds thereof, as security for the Secured Obligations (as defined in the Mortgage), in each case prior and superior in right to any other Person (except Liens permitted by Section 7.01).

Section 5.19 Solvency. As of the Closing Date, each of the Borrower and each Loan Party that is a Material Subsidiary is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

Section 5.20 Insurance. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates, except to the extent that reasonable self-insurance meeting the same standards is maintained with respect to such risks, and which insurance meets the requirements of the Mortgages.

Section 5.21 OFAC. Except as described on Schedule 5.21, no Loan Party, nor, to the knowledge of any Loan Party, any Related Party, (i) is currently the subject of any Sanctions, (ii) is located, organized or residing in any Designated Jurisdiction, or (iii) is or has been (within the previous five years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. No Loan or Letter of Credit, nor the proceeds from any Loan or Letter of Credit, has been used, directly or indirectly, to lend, contribute, provide or has otherwise made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including any Lender, the Arranger, the Administrative Agent or the L/C Issuer) of Sanctions.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary (other than any Immaterial Subsidiary) to:

Section 6.01 Financial Statements. Deliver to the Administrative Agent (which shall promptly furnish to each Lender), in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a “going concern” or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of footnotes);

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

As to any information contained in materials furnished pursuant to Section 6.02(e), the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in Section 6.01(a) and (b) above at the times specified therein.

Section 6.02 Certificates; Other Information. Deliver to the Administrative Agent (which shall promptly furnish to each Lender), or, in the case of clause (f), to the relevant Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certificate shall be limited to the items that independent certified public accountants are permitted to cover in such certificates pursuant to their professional standards and customs of the profession);

(b) concurrently with the delivery of any financial statements pursuant to Section 6.01, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, in each case to the extent any failure to do so would constitute a Default or Event of Default hereunder, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower and its Subsidiaries with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) any UCC financing statements or other filings or recordings specified in such Compliance Certificate as being required to be delivered therewith;

(c) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively and together with the Initial Projections, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections comply with the representations set forth in Section 5.05(e);

(d) no later than 10 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Indentures;

(e) within five days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that the Borrower may make to, or file with, the SEC; and

(f) promptly, such additional financial and other information as any Lender through the Administrative Agent may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(e) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto

on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(b) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the L/C Issuers materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to any of the Borrower or its respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, the Arranger, the L/C Issuers and the Lenders to treat the Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrowers or their respective securities for purposes of United States Federal and state securities laws (provided, however, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Arranger shall be entitled to treat the Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

Section 6.03 Notices. Promptly notify the Administrative Agent (which shall promptly furnish such notice to each Lender) of:
(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority that, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Borrower or any of its Subsidiaries (i) in which the amount involved is \$10,000,000 or more and not covered by insurance or (ii) in which injunctive or similar relief is sought which, if granted, could reasonably be expected to have a Material Adverse Effect;

(d) as soon as possible and in any event within 10 days after the Borrower knows or has reason to know of the occurrence of any ERISA Event that has had or could reasonably be expected to have a Material Adverse Effect; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or relevant Subsidiary has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Section 6.04 Conduct of Business and Maintenance of Existence, etc. (a) (i) Preserve, renew and keep in full force and effect its corporate or other existence and (ii) take all reasonable action to maintain all rights, privileges and franchises useful and necessary in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.04 and except, in the case of the foregoing clause (ii), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.05 Maintenance of Property; Insurance. (a) Keep all material Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business. The Borrower shall furnish certificates, policies or endorsements to Administrative Agent as Administrative Agent shall require as proof of such insurance, and, if the Borrower fails to do so, Administrative Agent is authorized, but not required, to obtain such insurance at the expense of the Borrower. All policies shall provide for at least thirty (30) days prior written notice to Administrative Agent of any cancellation or reduction of coverage and that Administrative Agent may act as attorney for the Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. The Borrower shall cause Administrative Agent to be named as a loss

payee and an additional insured (but without any liability for any premiums) under such insurance policies and the Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Administrative Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Administrative Agent, for the ratable benefit of the Secured Parties, as its interests may appear and further specify that Administrative Agent shall be paid regardless of any act or omission by the Borrower or any of its Affiliates. The Administrative Agent, at its option, may apply any insurance proceeds received by Administrative Agent at any time while any Event of Default shall have occurred and be continuing to the cost of repairs or replacement of Collateral and/or, to payment of the Obligations, whether or not then due, in any order and in such manner as Administrative Agent may determine or hold such proceeds as cash collateral for the Obligations.

Section 6.06 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit any Lender (accompanied by any other Lender that so elects) to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time, upon reasonable prior notice, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants (it being understood that all such notices shall be given through the Administrative Agent and shall be coordinated with any other such notices to the extent reasonably possible), in each case no more often than twice in any calendar year in the aggregate for all Lenders unless an Event of Default shall have occurred and be continuing.

Section 6.07 Environmental Laws. Comply in all respects with, and take all reasonable action to ensure compliance in all respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all respects with and maintain, and take all reasonable action to ensure that all tenants and subtenants obtain and comply in all respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except to the extent that any failures to so comply or maintain could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 6.08 Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; (b) all other lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, in each case, where non-payment thereof could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 6.09 Additional Collateral, etc. (a) With respect to any Specified Personal Property acquired after the Closing Date by the Borrower or any Subsidiary Guarantor (other than any Property subject to a Lien expressly permitted by Section 7.01(g) or 7.01(j) or 7.01(r)), including without limitation, any barge rig located or operating in the continental United States or waters of the Gulf of Mexico subject to state or Federal jurisdiction, not listed on Schedule 5.07, as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments or supplements to the Security Agreement or Mortgages or such other documents as the Administrative Agent reasonably deems necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a Lien in such Property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in such Property, subject to Permitted Liens, including without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may be requested by the Administrative Agent and the recording of such amendment or supplement with the United States Coast Guard.

(b) With respect to any new Material Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include any existing Material Subsidiary that ceases to be an Excluded Subsidiary and any existing Domestic Subsidiary that ceases to be an Immaterial Subsidiary), by the Borrower or any of the Subsidiary Guarantors, promptly (i) cause such new Subsidiary (A) to become a party to the Subsidiary Guaranty and the Security Agreement, (B) in the case of any such Subsidiary owning a barge rig located or operating in the continental United States or waters of the Gulf of Mexico subject to state or Federal jurisdiction, to execute and deliver a Mortgage covering such rig, and (C) in the case of any Domestic Subsidiary, to take such actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in the Collateral described in the Security Agreement or Mortgage with respect to such new Subsidiary (subject to Permitted Liens), including, without limitation, the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may be reasonably requested by the Administrative Agent and the recording of such Mortgage with the United States Coast Guard, and (ii) if reasonably requested by the Administrative Agent deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

Section 6.10 Borrowing Base Certificate. In the case of the Borrower, at any time when the Total Outstandings equal or exceed \$50,000,000, deliver or cause to be delivered, at the Borrower's expense, the following:

(a) to the Administrative Agent, the following documents in a form satisfactory to it:

(i) on a monthly basis and in no event later than 25 days after the end of each such month or, if an Event of Default shall exist, more frequently as the Administrative Agent may reasonably request (but in no event more often than weekly) or as the Borrower shall elect, a Borrowing Base Certificate, accompanied by such supporting

detail and documentation as is contemplated by the Borrowing Base Certificate and/or as shall be requested by the Administrative Agent in its reasonable discretion (in a form and detail satisfactory to the Administrative Agent);

(ii) on a monthly basis and in no event later than 25 days after the end of each such month or, if an Event of Default shall exist, more frequently as the Administrative Agent may in good faith request (but in no event more often than weekly), detailed agings of Accounts and a detailed listing of the inventory of Quail Tools (together with a reconciliation to its general ledger); and

(iii) upon the Administrative Agent's request in good faith (but in no event more often than (x) monthly so long as no Event of Default shall exist or (y) weekly if an Event of Default shall exist), (A) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, and (B) a statement of the outstanding loans and payments made, and Accounts owing to, Affiliates as of the last day of the immediately preceding month.

(b) To the Administrative Agent such other reports, statements and reconciliations with respect to the Borrowing Base or the Collateral as it shall from time to time request in its reasonable discretion.

Section 6.11 Cash Management Systems. (a) Within 30 days after the opening by the Borrower or any Subsidiary Guarantor of any deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States, deliver to the Administrative Agent a schedule (a "Supplemental Account Identification Schedule") which provides, in respect of each such account opened since the Closing Date (i) the name and location of each bank and securities intermediary at which the Borrower or such Subsidiary Guarantor maintains a deposit account, securities account, lockbox account, concentration account, collection account or disbursement account in the United States and (ii) the account number and account name or other relevant descriptive data with respect to each such account and such other information with respect to each such account as the Administrative Agent shall reasonably request.

(b) On or before the date which is 30 days after the delivery of any Supplemental Account Identification Schedule, or such longer period as agreed to by the Administrative Agent, cause to be delivered to the Administrative Agent a Control Agreement and/or a Lockbox Agreement with respect to each account described in such Supplemental Account Identification Schedule which the Administrative Agent reasonably requires to be subject to such an agreement, in each case duly executed and delivered by the Borrower or the relevant Subsidiary Guarantor and by the bank or securities intermediary that maintains such account.

(c) Cause all proceeds of any Collateral in every form, including, without limitation, cash, checks, wire transfers and other forms of receipts, to be deposited promptly in a collection account or lockbox account (i) in respect of which a Control Agreement and/or Lockbox Agreement, as appropriate, is in effect and (ii) which, at any time after an Event of Default has occurred and is continuing, is used solely for the purpose of receiving proceeds of Collateral.

Section 6.12 Inspection of Collateral. The Borrower agrees that the Administrative Agent or its agents may, as the Administrative Agent shall deem necessary or appropriate in the exercise of its sole discretion, enter upon the premises of the Borrower or any Subsidiary Guarantor at any time and from time to time, during normal business hours and upon reasonable notice under the circumstances, and at any time whatsoever on and after the occurrence of a Default or Event of Default, for the purposes of conducting field examinations and appraisals and inspecting, evaluating and verifying the Collateral, all of the above to be at the Borrower's expense during the existence of an Event of Default and at the Lenders' expense if no Event of Default exists. Notwithstanding the foregoing, at any time, the Administrative Agent may, and at the request of any Lender will, require an appraisal of the Borrowing Base Collateral at the Borrower's expense with such appraisal to be prepared by a third-party collateral appraiser selected by the Administrative Agent in its sole reasonable discretion; provided that no such appraisal shall be required prior to September 30, 2014, and thereafter no more than one such appraisal shall be required in any 24 month period.

Section 6.13 Casualty and Condemnation. The Borrower (a) will furnish to the Administrative Agent written notice promptly, and in any event within five (5) Business Days of the occurrence, of any Casualty Event to any Borrowing Base Collateral reasonably expected by the Borrower to result in Net Loss Proceeds in excess of \$5,000,000 and (b) will ensure that the Net Loss Proceeds of any such event (whether in the form of insurance proceeds or otherwise) are collected and applied in accordance with the applicable provisions of the Loan Documents.

Section 6.14 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Borrower or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto. The Borrower agrees to execute, deliver and cause to be recorded such amendments to the Mortgages as the Hedge Banks or Cash Managements Banks may reasonably request to secure the Obligations under the Secured Hedge Agreements and Secured Cash Management Agreements, respectively, by the Mortgages. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from the Borrower or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

ARTICLE VII
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, nor shall it permit any Subsidiary (other than any Immaterial Subsidiary) to, directly or indirectly:

Section 7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens for taxes, assessments or governmental charges or claims not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) Landlords', carriers', warehousemen's, mechanics', repairmen's, laborers', seamen's, preferred maritime and materialmen's liens or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the payment or performance of bids, tenders, government contracts, trade contracts (other than for borrowed money), leases, statutory or regulatory obligations, surety and appeal bonds, performance bonds, insurance obligations and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 7.01(f), securing Indebtedness permitted by Section 7.03(d), provided that no such Lien is spread to cover any additional Property after the Closing Date other than all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) that secured or, under the written arrangements under which the original Lien arose, could secure the Indebtedness;

(g) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.03(c) incurred for the purpose of financing all or any part of the acquisition purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of the Borrower or such

Subsidiary (whether through the direct purchase of such assets or the Equity Interests of the Person owning such assets (but no other material assets)), provided that (i) such Liens shall be created prior to or within 120 days after such acquisition, construction or other event, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Collateral Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens not otherwise permitted by this Section 7.01 so long as the aggregate outstanding principal amount of the obligations secured thereby does not exceed (as to the Borrower and all Subsidiaries) \$20,000,000 at any one time; provided that no such Lien shall extend to or cover any Borrowing Base Collateral or Equity Interests comprising Collateral;

(k) judgment Liens not giving rise to an Event of Default under Section 8.01(h) so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(l) Liens upon specific items of inventory or other goods of the Borrower or any Subsidiary securing such Person's obligations in respect of bankers acceptances issued or created for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;

(m) Liens securing reimbursement obligations with respect to commercial letters of credit that encumber documents and other property or assets relating to such letters of credit and products and proceeds thereof;

(n) Liens on assets of Excluded Subsidiaries to secure Indebtedness and related obligations of such Excluded Subsidiary; provided that the Indebtedness is permitted by the terms of Section 7.03(c), (d), (f) or (g) of this Agreement to be incurred by such Excluded Subsidiary;

(o) Liens on Property of a Person existing at the time such Person is merged with or into or consolidated with the Borrower or any Subsidiary of the Borrower or otherwise becomes a Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or such Person becoming a Subsidiary of the Borrower and do not extend to any assets other than those of such Person;

(p) Liens on Property existing at the time of acquisition of the Property by the Borrower or any Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than such acquired property (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(q) Liens securing Refinancing Debt incurred to refinance Indebtedness that was previously so secured; provided that (i) no such Lien is on Collateral and (ii) any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and related general intangibles in respect thereof) that secured the Indebtedness being refinanced;

(r) Liens that secure Non-Recourse Debt that encumber the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(s) Liens on the assets of any Project Finance Subsidiary;

(t) Liens on and pledges of the Equity Interests of any joint venture or Project Finance Subsidiary owned by the Borrower or any Subsidiary of the Borrower to the extent securing Indebtedness or other obligations of such joint venture or Project Finance Subsidiary;

(u) Liens arising from the deposit of funds or securities in trust for the purpose of defeasing Indebtedness;

(v) Liens permitted under the Mortgages;

(w) Liens on Property or assets under construction (and related rights) in favor of the contractor or developer;

(x) Liens arising under the Senior Notes Indenture in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under this Agreement, provided that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

(y) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by the Borrower or any Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness; and

(z) maritime liens for crew wages or for salvage and general average and similar liens, each of which is in respect of obligations that are not delinquent for a period of more than 30 days or are being contested in good faith by appropriate proceedings.

Section 7.02 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 4.00:1.00.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 2.50:1.00.

(c) Consolidated Senior Secured Leverage Ratio. Permit the Consolidated Senior Secured Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 1.50:1.00.

Section 7.03 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness (i) of the Borrower to any Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and of any Subsidiary Guarantor to the Borrower or any other Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and (ii) of any Subsidiary to any Loan Party or other Subsidiary;

(c) Indebtedness (including, without limitation, in respect of Capitalized Leases and Synthetic Lease Obligations) secured by Liens permitted by Section 7.01(g), (i) of the Borrower or any of its Subsidiaries (excluding Foreign Subsidiaries and Project Finance Subsidiaries) in an aggregate principal amount not to exceed the greater of \$50,000,000 and 5.00% of Consolidated Tangible Assets at any one time outstanding and (ii) of any Foreign Subsidiaries (excluding Project Finance Subsidiaries), in an aggregate principal amount not to exceed \$150,000,000 at any time outstanding; provided that, with respect to this clause (ii), as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Senior Secured Leveraged Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 1.00:1.00;

(d) Indebtedness outstanding on the date hereof and listed on Schedule 7.03(d);

(e) Guarantees of the Borrower or any Subsidiary in respect of Indebtedness permitted under this Section 7.03 (excluding (A) Guarantees of Indebtedness permitted under Section 7.03(h) and (i) and (B) Guarantees by the Borrower or any Subsidiary Guarantor of Indebtedness permitted by Section 7.03(c)(ii));

(f) Indebtedness represented by agreements of the Borrower or any Subsidiary providing for indemnification, adjustment of purchase price, or similar obligations, in each case, incurred or assumed in connection with the Disposition of any business, assets, or Equity Interests of the Borrower or any Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower and its Subsidiaries in connection with such Disposition;

(g) any Indebtedness (the “Refinancing Debt”) the Net Cash Proceeds of which are to be used (A) to redeem, refinance, replace, defease, discharge, refund, renew, extend or otherwise retire for value any Indebtedness referred to in clauses (c) or (d) or any Term Loans or Refinancing Debt incurred pursuant to this Section 7.03(g), without any shortening of the maturity of any principal amount of the Indebtedness refinanced (the “Refinanced Indebtedness”) or (B) to pay premiums, fees or expenses payable in connection with any such refinancing, refunding, renewal or extension. The proceeds of the Refinancing Debt shall be used substantially concurrently with the incurrence thereof to redeem, refinance, replace, defease, discharge, renew, extend, refund or otherwise retire for value the Refinanced Indebtedness, unless the Refinanced Indebtedness is not then due and is not redeemable or prepayable at the option of the obligor thereof or is redeemable or prepayable only with notice, in which case such proceeds shall be held in a segregated account of the obligor of the Refinanced Indebtedness until the Refinanced Indebtedness becomes due or redeemable or prepayable or such notice period lapses and then shall be used to refinance the Refinanced Indebtedness;

(h) Non-Recourse Debt;

(i) Project Financing incurred by Project Finance Subsidiaries;

(j) Subordinated Debt, provided that, as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00;

(k) Convertible Debt, provided that, as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00; and

(l) additional unsecured Indebtedness of the Borrower or any of its Subsidiaries (other than Immaterial Subsidiaries) in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed \$125,000,000 at any one time outstanding; as long such Indebtedness: (i) has a scheduled maturity occurring after the latest Maturity Date of any Lender, (ii) contains terms (including covenants and events of default) no more restrictive, taken as a whole, to the Borrower and its Subsidiaries than those contained in this Agreement, and (iii) has no scheduled amortization occurring prior to the latest Maturity Date of any Lender.

Section 7.04 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Subsidiary Guarantor (provided that (i) the Subsidiary Guarantor shall be the

continuing or surviving corporation or (ii) simultaneously with such transaction, the continuing or surviving corporation shall become a Subsidiary Guarantor and the Borrower shall comply with Section 6.09 in connection therewith);

(b) any Subsidiary may merge with any other Subsidiary (or any Person that becomes a Subsidiary contemporaneously with such merger) so long as, in the case of any merger involving a Subsidiary Guarantor, the surviving Person shall be (or shall contemporaneously become) a Subsidiary Guarantor and such merger could not reasonably be expected to have a material adverse effect on the business, assets, property or financial condition of the surviving Subsidiary;

(c) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Subsidiary (so long as, in the case of any such Disposition by a Subsidiary Guarantor, the Subsidiary to whom such assets are disposed of is a Subsidiary Guarantor) and may be dissolved following such Disposition;

(d) any Excluded Subsidiary or Immaterial Subsidiary may Dispose of any or all of its assets and may be dissolved following such Disposition;

(e) the Equity Interests of any Excluded Subsidiary or Immaterial Subsidiary may be Disposed of or issued to any other Person; and

(f) the Borrower and any Subsidiary may merge or consolidate with any other Person (other than the Borrower or any Subsidiary) provided that, with respect to each merger or consolidation made pursuant to this Section 7.04(f):

(i) no Default exists and the merger or consolidation could not reasonably be expected to cause a Default;

(ii) the merger or consolidation is not hostile;

(iii) the lines of business of the Person to be (or the property of which is to be) so purchased or otherwise acquired shall be substantially the same lines of business as one or more of the principal businesses of the Borrower and its Subsidiaries in the ordinary course;

(iv) the requirements of Section 6.09 are satisfied;

(v) the Borrower or such Subsidiary shall be the survivor; and

(vi) the Borrower shall have delivered to the Administrative Agent, at least five Business Days prior to the date on which any such merger or consolidation is to be consummated, a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, certifying that all of the requirements set forth in this Section 7.04(f) have been satisfied or will be satisfied on or prior to the date on which such merger or consolidation is consummated; provided, further, that, for avoidance of doubt, any such merger or consolidation that would result in a Change of Control shall cause a Default under Section 8.01(k).

Section 7.05 Disposition of Property. Dispose of (i) any Eligible Specified Rig, (ii) any Eligible Accounts Receivable or (iii) any Eligible Rental Equipment, in each case whether now owned or hereafter acquired, or issue or Dispose of any Equity Interest of any Person that directly or indirectly owns any of the foregoing, except:

(a) Dispositions permitted by Section 7.04;

(b) the Disposition of obsolete or worn out property, or property that is no longer used or useful in such Person's business, in the ordinary course of business;

(c) the Disposition of inventory or other assets in the ordinary course of business or consistent with past practice;

(d) Dispositions of cash or Cash Equivalents;

(e) the sale or issuance of any Subsidiary's Equity Interests to the Borrower or any Subsidiary Guarantor;

(f) transfers of assets between or among the Borrower and the Subsidiary Guarantors;

(g) any Dispositions constituted by the granting of Liens permitted by Section 7.01;

(h) any lease of drill pipe by Quail Tools to a customer located outside of the United States and any subsequent sale to such customer of any such drill pipe;

(i) any sale by the Borrower or any Subsidiary to its customers of drill pipe, tools, and associated drilling equipment utilized in connection with a drilling contract for the employment of a drilling rig in the ordinary course of business and consistent with past practice; and

(j) Dispositions of Property described on Schedule 7.05(j).

Section 7.06 Restricted Payments. (i) Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Equity Interests of the Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating the Borrower or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any such Equity Interests or (ii) Invest in Project Finance Subsidiaries (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the holders of its Equity Interests on a *pro rata* basis;

(b) the Borrower may make Restricted Payments in the form of common stock of the Borrower;

(c) the Borrower may make Restricted Payments in the form of Equity Interests (other than Disqualified Stock) in connection with (i) the conversion, redemption, or repurchase of the Convertible Debt, and in connection therewith may make payment in cash in lieu of fractional shares and (ii) the High Strikes Agreements;

(d) so long as no Event of Default has occurred and is continuing or would be caused thereby, the Borrower or any Subsidiary may repurchase, redeem, or otherwise acquire or retire any Equity Interests of the Borrower or any Subsidiary held by any existing or former director, officer or employee of the Borrower or any Subsidiary (or their transferees, estates or beneficiaries) pursuant to any employment agreement, equity subscription agreement, stock option agreement, or similar agreement, provided, that the aggregate amount of payments under this paragraph subsequent to the date hereof (net of any proceeds received by the Borrower subsequent to the date hereof in connection with resales of any common stock or common stock options so purchased) shall not exceed \$5,000,000 in any 12 month period;

(e) the Borrower may acquire Equity Interests in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations;

(f) the Borrower may make any Restricted Payment in exchange for, or in an amount not to exceed the net cash proceeds of a substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower (other than Disqualified Stock), or from the substantially concurrent contribution of common equity capital to the Borrower, with a sale and contribution being deemed substantially concurrent if such Restricted Payment occurs not more than 120 days after such sale or contribution; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment shall be excluded from clause (B) of Section 7.06(h)(iii)(B);

(g) the Borrower or any Subsidiary may make any defeasance, redemption, repurchase or other acquisition of Disqualified Stock of the Borrower or any Subsidiary in an amount not to exceed the net cash proceeds from a substantially concurrent incurrence of, or exchange for, Refinancing Debt;

(h) the Borrower may make Restricted Payments provided that:

(i) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(ii) the Borrower would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in Section 7.02(b); and

(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Borrower and its Subsidiaries after the Closing Date pursuant to this Section 7.06(h) is less than, at the date of determination, the sum, without duplication, of

(A) 50% of the Consolidated Net Income of the Borrower for the period (taken as one accounting period) from October 1, 2012 to the end of the Borrower's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds (or the fair market value of any Equity Interests of Persons or assets to the extent acquired in consideration of Equity Interests (other than Disqualified Stock) of the Borrower) received by the Borrower or its Subsidiaries since the Closing Date as a contribution to its common equity capital or from the issue or sale of Equity Interests after the Closing Date of the Borrower (other than Disqualified Stock) or from the issue or sale after the Closing Date of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Borrower or its Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Borrower), or received upon the exercise of any options, warrants or rights to purchase Equity Interests (other than Disqualified Stock) of the Borrower, plus

(C) the amount by which Indebtedness or Disqualified Stock of the Borrower or its Subsidiaries is reduced on the Borrower's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Borrower) subsequent to the Closing Date of any Indebtedness or Disqualified Stock of the Borrower or its Subsidiaries convertible into or exchangeable for Equity Interests of the Borrower (other than Disqualified Stock) (less the amount of cash, or the fair market value of any other property, distributed by the Borrower upon such conversion or exchange); and

(i) the Borrower may make the payment of any dividend or consummate any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Agreement;

(j) Investments in Project Finance Subsidiaries not to exceed \$25,000,000 outstanding in the aggregate for all such Investments on or after the date hereof, it being understood that if such Project Finance Subsidiary repays such Investment in full in cash or if the Borrower shall sell such Project Finance Subsidiary in full for cash, such Investment will no longer be outstanding for purposes hereof to the extent of such cash received; and

(k) other Restricted Payments not to exceed \$35,000,000 in the aggregate on or after the date hereof so long as no Default or Event of Default shall have occurred and be continuing or shall result therefrom.

Section 7.07 Modifications of Debt Instruments, etc. (a) amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Convertible Debt, the Senior Notes or any Refinancing Debt to the extent that any such amendment, modification, waiver or other change would shorten the maturity or increase the amount of any payment of principal thereof, increase the rate or shorten the date for payment of interest thereon or make any covenant or other restriction applicable to the Borrower or any of its Subsidiaries materially more restrictive or (b) amend its Organization Documents in any manner adverse to the Administrative Agent or the Lenders.

Section 7.08 Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than (i) the Borrower or any Subsidiary Guarantor or (ii) in the case of any Excluded Subsidiary, any other Excluded Subsidiary) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, except for transactions permitted by the following sentence. This Section 7.08 shall not apply to the following transactions: (i) any employment agreement entered into by the Borrower or any of its Subsidiaries in the ordinary course of business and consistent with past practices, (ii) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Borrower, (iii) sales of Equity Interests of the Borrower to Affiliates of the Borrower, (iv) any Restricted Payment otherwise permitted under Section 7.06 or any Investment, (v) indemnification agreements with, and payments made, to officers, directors, and employees of the Borrower or any Subsidiary pursuant to charter, bylaw, statutory, or contractual provisions, (vi) the performance of obligations of the Borrower or any Subsidiary under the terms of any agreement to which the Borrower or any Subsidiary is a party as of the date of this Agreement, and any amendments, modifications, supplements, extensions, or renewals of such agreements; provided that any such amendments, modifications, supplements, extensions, or renewals of such agreements are not materially more disadvantageous, taken as a whole, to the Administrative Agent and the Lenders than the terms of such agreements as in effect on the date of this Agreement, (vii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements or stock option or stock ownership plans approved by the board of directors of the Borrower, (viii) loans or advances to employees in the ordinary course of business and consistent with past practices, but in any event not to exceed \$2.0 million in the aggregate outstanding at any one time, (ix) transactions entered into by a Person prior to the time such Person becomes a Subsidiary or is merged or consolidated into the Borrower or a Subsidiary (provided such transaction is not entered into in contemplation of such event), (x) any transaction in which the Borrower or any of its Subsidiaries, as the case may be, delivers to the trustee a letter from an accounting, appraisal or investment banking firm of national standing stating that such transaction is fair to the Borrower or such Subsidiary from a financial point of view or that such transaction meets the requirements of the first sentence of this paragraph, (xi) dividends and distributions to the

Borrower and its Subsidiaries by any Affiliate, (xii) (a) guarantees of performance by the Borrower and its Subsidiaries of Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness; (xiii) any transaction where the only consideration paid by the Borrower or Subsidiary is Equity Interests of the Borrower (other than Disqualified Stock); and (xiv) transactions between the Borrower or any Subsidiary and any Person, a director of which is also a director of the Borrower or any direct or indirect parent company of the Borrower, and such director is the sole cause for such Person to be deemed an Affiliate of the Borrower or any Subsidiary; provided, however, that such director shall abstain from voting as a director of the Borrower or such direct or indirect parent company, as the case may be, on any matter involving such other Person.

Section 7.09 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

Section 7.10 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of the Borrower or any of its Subsidiaries (other than Excluded Subsidiaries) to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any guarantor, its obligations under the Subsidiary Guaranty, other than (a) this Agreement and the other Loan Documents, (b) the Indentures or any indenture or similar instrument governing any Refinancing Debt, (c) any agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby or securing such Indebtedness), (d) customary non assignment provisions in any contract or lease entered into in the ordinary course of business and consistent with past practices, (e) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (f) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements entered into in the ordinary course of business, (g) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (h) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (i) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.11 Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary (other than Excluded Subsidiaries) to (a) make Restricted Payments in respect of any Equity Interests of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary (it being understood that (i) the priority of any preferred equity in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common equity shall not be deemed a restriction on the ability to make distributions on Equity

Interests and (ii) the subordination of loans or advances made to the Borrower or any Subsidiary to other Indebtedness incurred by the Borrower or any Subsidiary shall not be deemed a restriction on the ability to pay loans or advances), (b) make Investments in the Borrower or any Subsidiary Guarantor or (c) transfer any of its assets to the Borrower or any Subsidiary Guarantor, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, (iii) any restrictions imposed pursuant to agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective as to transfers of the assets financed thereby or securing such Indebtedness), (iv) customary non assignment provisions in any contract or lease entered into in the ordinary course of business and consistent with past practices, (v) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (vi) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements entered into in the ordinary course of business, provided that such provisions apply only to the assets subject to such agreements, (vii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (viii) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (vix) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.12 Lines of Business. Enter into any material business except for those businesses directly relating to the oil services industry in which the Borrower and its Subsidiaries have previously engaged or are engaged on the Closing Date or that are incidental or reasonably related thereto or that are a reasonable extension thereof, as determined in good faith by the Borrower or applicable Subsidiary.

Section 7.13 Hedge Agreements. Enter into any Swap Contract other than Swap Contracts entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates or foreign exchange rates.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower or any other Loan Party fails to (i) pay when and as required to be paid herein, and in the currency required hereunder, any amount of principal of any Loan or any L/C Obligation or deposit any funds as Cash Collateral in respect of L/C Obligations, or (ii) pay within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, any fee due hereunder, or any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. (i) Any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 6.04(a) (with respect to the Borrower only), Section 6.03(a) or Article VII, or in Article IV of the Security Agreement or (ii) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.01, Section 6.09(a)(i), Section 6.09(c) or Section 6.10(a)(i) and such default shall continue unremedied for a period of 10 days; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in Sections 8.01(a) or (b) above or (d) below) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after the earlier to occur of (i) written notice thereof from the Administrative Agent to the Borrower (which notice may be given by the Administrative Agent and will be given at the request of the Required Lenders) or (ii) a Responsible Officer of the Borrower or any Subsidiary Guarantor otherwise becoming aware of such default or any "Event of Default" under any Loan Document (other than this Agreement) shall occur and continue to exist beyond any applicable grace period set forth in such Loan Document; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination

Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; provided, however, this clause (e) shall not apply to (i) voluntary prepayments and redemptions, (ii) the conversion of Convertible Debt or the payment thereof pursuant to clause (f) of the definition thereof, and (iii) any Non-Recourse Debt or Project Financing; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries (other than any Immaterial Subsidiary) institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary (other than any Immaterial Subsidiary) becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) Judgments. One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving, for the Borrower and its Subsidiaries taken as a whole, a liability (not paid or fully covered by independent third party insurance as to which the relevant insurance company has acknowledged coverage) in an aggregate amount in excess of the Threshold Amount, and all such judgments or decrees shall not have been paid, vacated, discharged, stayed or bonded pending appeal by the earlier of (i) the date which 60 days from the entry thereof and (ii) the date on which the relevant judgment creditor(s) has begun to enforce such judgment(s) or decree(s); or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount that could reasonably be expected to have a Material Adverse Effect, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount that could reasonably be expected to have a Material Adverse Effect; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control; or

(l) Collateral Documents. Any Collateral Document after delivery thereof pursuant to Section 4.01 or 6.09 shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien (subject to Liens permitted by Section 7.01) on the Collateral purported to be covered thereby having a fair market value in excess of \$5,000,000 that is purported to be covered thereby unless such occurrence results solely from action of the Administrative Agent or any Lender and involves no Default by the Borrower or any Guarantor hereunder or under any Collateral Document.

Section 8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof; provided, however, that the Administrative Agent or applicable L/C Issuer may, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations and the Borrower shall deposit such additional Cash Collateral); and

(d) exercise on behalf of itself, the Lenders and the L/C Issuers all rights and remedies available to it, the Lenders and the L/C Issuers under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

Section 8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III but excluding any principal, interest and Letter of Credit Fees) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuers (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuers (including fees and time charges for attorneys who may be employees of any Lender or any L/C Issuer) arising under the Loan Documents and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, L/C Borrowings and other Obligations arising under the Loan Documents, ratably among the Lenders and the L/C Issuers in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, L/C Borrowings and Obligations then owing under Secured Hedge Agreements and Secured Cash Management Agreements, ratably among the Lenders, the L/C Issuers, the Hedge Banks and the Cash Management Banks in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuers, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

Notwithstanding the foregoing, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be. Each Cash Management Bank or Hedge Bank not a party to the Credit Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Article IX hereof for itself and its Affiliates as if a "Lender" party hereto.

ARTICLE IX

ADMINISTRATIVE AGENT

Section 9.01 Appointment and Authority. (a) Each of the Lenders and the L/C Issuers hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article, other than the final sentence of Section 9.10, are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuers, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

(b) The Administrative Agent shall also act as the “collateral agent” under the Loan Documents, and each of the Lenders (including in its capacities as a potential Hedge Bank and a potential Cash Management Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and such L/C Issuer for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In furtherance thereon, each of the Lenders (including in its capacities as a potential Hedge Bank and a potential Cash Management Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent (or any sub-agent of the Administrative Agent appointed pursuant to Section 9.05), as “collateral agent” to act as trustee on their behalf solely for the purpose of acting as mortgagee under Mortgages and holding the first preferred mortgage interest in each Specified Rig granted to the Administrative Agent, as “collateral agent”, as trustee pursuant to the respective Mortgage. The Administrative Agent hereby accepts such trust and declares that, as trustee, it will hold each Mortgage for the sole use and benefit of the Lenders and each L/C Issuer and shall, on behalf of the trust created hereby, perform its obligations hereunder, but only upon the terms and conditions of this Agreement. In connection with all of the foregoing, the Administrative Agent, as “collateral agent” and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.04(c)), as though such co-agents, sub-agents and attorneys-in-fact were the “collateral agent” under the Loan Documents) as if set forth in full herein with respect thereto.

Section 9.02 Rights as a Lender. The Person serving as the Administrative Agent, Syndication Agent or a Co-Documentation Agent, as applicable, hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, Syndication Agent or a Co-Documentation Agent, as applicable, and the term “Lender” or “Lenders” shall, unless otherwise expressly

indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent, Syndication Agent or Co-Documentation Agent, as applicable, hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent, Syndication Agent or Co-Documentation Agent, as applicable, hereunder and without any duty to account therefor to the Lenders.

Section 9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or an L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the applicable L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or such L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or such L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 9.06 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(g) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section) . The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

(d) Any resignation by Bank of America as Administrative Agent pursuant to this Section shall also constitute its resignation as L/C Issuer. If Bank of America resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c). Upon the appointment by the Borrower of a successor L/C Issuer hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender) and the

acceptance by such successor L/C Issuer of the rights, duties and obligations of such capacity hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, (b) the retiring L/C Issuer shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

Section 9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and each L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and each L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the “Bookrunners” or “Arranger” or the Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or an L/C Issuer hereunder.

Section 9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise.

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuers and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuers and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuers and the Administrative Agent under Sections 2.03(i) and (j), 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and each L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuers, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or any L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or any L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or any L/C Issuer or in any such proceeding. The Administrative Agent is not authorized hereunder to credit bid any Obligation held by any Lender or any L/C Issuer in any proceeding under any Debtor Relief Law without the prior consent of such Lender or such L/C Issuer.

Section 9.10 Collateral and Guaranty Matters. Each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank) and each L/C Issuer irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than (A) contingent indemnification obligations and (B) obligations and liabilities under Secured Cash Management Agreements and Secured Hedge Agreements) and the expiration or termination of all Letters of Credit (other than Letters of Credit as to which other arrangements satisfactory to the Administrative Agent and the L/C Issuers shall have been made), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 10.01;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(g), (r) or (t);

(c) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty and Collateral Documents (i) if such Person ceases to be a Subsidiary, (ii) in the case of each Subsidiary Guarantor that is a guarantor of obligations under any Indenture but would otherwise qualify as an "Excluded Subsidiary", if such Person ceases to be a guarantor of the obligations under any Indenture so that such Person qualifies as an "Excluded Subsidiary", or (iii) if such Subsidiary Guarantor is designated and certified as an "Excluded Subsidiary" in accordance with the requirements set forth in clause (e) of such definition after the date hereof, or (iv) if such Subsidiary Guarantor ceases to be a Material Subsidiary as a result of a Disposition permitted by Section 7.05, in each case (with respect to the foregoing clauses (i), (ii) and (iii)), as a result of a transaction permitted hereunder or otherwise in accordance with the terms hereof; and

(d) to enter into any amendments of the Collateral Documents dated on and as of even date herewith deemed reasonably necessary or appropriate by the Administrative Agent in order to evidence the amendment and restatement of the Existing Credit Agreement, the extension, renewal and continuation of the Obligations secured by such Collateral Documents and for any other related purpose.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty pursuant to this Section 9.10. In each case as specified in this Section 9.10, (i) the Borrower shall notify the Administrative Agent and the Lenders in writing of any request for the release or subordination of any Collateral or Subsidiary Guaranty, such writing to set forth in reasonable detail a description of such Collateral or Subsidiary Guaranty requested to be released and (ii) the Administrative Agent will, at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents or to subordinate its interest in such item, or to release such Subsidiary Guarantor from its obligations under the Subsidiary Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 9.10. The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

Section 9.11 Secured Cash Management Agreements and Secured Hedge Agreements. No Cash Management Bank or Hedge Bank that obtains the benefits of Section 8.03, the Subsidiary Guaranty or any Collateral by virtue of the provisions hereof or of the Subsidiary Guaranty or any Collateral Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article IX to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be.

Section 9.12 United States Citizen. Notwithstanding any right, power or remedy granted to the Administrative Agent herein or pursuant to any other Loan Document, or at law, in equity, admiralty or otherwise, the Administrative Agent will not take any action that causes a violation of Section 2 or Section 9 of the Shipping Act of 1916, as amended (the "Shipping Act"). The Administrative Agent represents and warrants to the Borrower and to each Secured Party that it is a "United States Citizen" within the meaning of Section 2 of the Shipping Act until the Obligations have been paid in full. The Administrative Agent agrees that it will promptly prepare and deliver any affidavits or other similar documents evidencing its

compliance with the Shipping Act as may be required in connection with the documentation, operation, chartering or mortgaging of the Specified Rigs. If at any time prior to the termination of the Security Agreement or the Mortgages with respect to the Specified Rigs, the Administrative Agent ceases to comply with Section 2 of the Shipping Act, the Administrative Agent shall notify the Borrower and the Lenders of such fact and take all necessary actions to resign as the “collateral agent” under the Collateral Documents in accordance with the provisions of this Agreement and the other Loan Documents.

ARTICLE X

MISCELLANEOUS

Section 10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01 (other than Section 4.01(b)), or, in the case of the initial Credit Extension, Section 4.02, without the written consent of each Lender;

(b) without limiting the generality of clause (a) above, waive any condition set forth in Section 4.02 as to any Credit Extension under a particular Facility without the written consent of the Required Revolving Lenders or the Required Term Loan Lenders, as the case may be;

(c) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(d) postpone any date fixed by this Agreement or any other Loan Document for (i) any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under such other Loan Document without the written consent of each Lender entitled to such payment or (ii) any scheduled reduction of any Facility hereunder or under any other Loan Document without the written consent of each Appropriate Lender;

(e) reduce or forgive the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of “Default Rate” or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate or (ii) to change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Rate even if the effect of such amendment would be to reduce the interest rate on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(f) change (i) the definition of “Applicable Percentage”, Section 2.12(a), Section 2.12(f), Section 2.13 or Section 8.03 in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender affected thereby or (ii) the order of application of any reduction in the Commitments or any prepayment of Loans among the Facilities from the application thereof set forth in the applicable provisions of Section 2.05(b) or 2.06(b), respectively, in any manner that materially and adversely affects the Lenders under a Facility without the written consent of (i) if such Facility is the Term Loan Facility, the Required Term Loan Lenders, and (ii) if such Facility is the Revolving Credit Facility, the Required Revolving Lenders;

(g) amend Section 1.06 or the definition of “Alternative Currency” without the written consent of each L/C Issuer;

(h) change (i) any provision of this Section 10.01 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder (other than the definitions specified in clause (ii) of this Section 10.01(h)), without the written consent of each Lender or (ii) the definition of “Required Revolving Lenders” or “Required Term Loan Lenders” without the written consent of each Lender under the applicable Facility;

(i) release all or substantially all of the Collateral in any transaction or series of related transactions, without the written consent of each Lender;

(j) release all or substantially all of the value of the Subsidiary Guaranty without the written consent of each Lender, except to the extent the release of any Subsidiary Guarantor from the Subsidiary Guaranty is permitted pursuant to Section 9.10 (in which case such release may be made by the Administrative Agent acting alone);

(k) impose any greater restriction on the ability of any Lender under a Facility to assign any of its rights or obligations hereunder without the written consent of (i) if such Facility is the Term Loan Facility, the Required Term Loan Lenders and (ii) if such Facility is the Revolving Credit Facility, the Required Revolving Lenders;

(l) increase the Advance Rates under the Borrowing Base without the written consent of each Lender;

(m) amend, modify or waive any provision of (i) the definition of “Borrowing Base” or (ii) any of the capitalized terms used in such definition, in each case, without the consent of Lenders holding at least 75% of the sum of the (a) Total Outstandings (with the aggregate amount of each Revolving Credit Lender’s risk participation and funded participation in L/C Obligations being deemed “held by such Revolving Credit Lender for such purpose) and (b) aggregate unused Revolving Credit Commitments but excluding the unused Revolving Credit Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender; or

(n) amend the last sentence of Section 9.09 without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by each L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuers under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document and (iii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (x) the Commitment of such Lender may not be increased or extended, nor the principal owed to such Lender reduced or the final maturity thereof extended, without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders (excluding any increase pursuant to Section 2.14 or 2.15) (a “Non-Consenting Lender”), the Borrower may replace such Non-Consenting Lender in accordance with Section 10.13; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

Section 10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, or Bank of America as an L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender or L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if

not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or any L/C Issuer pursuant to Article II if such Lender or such L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender, any L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, any L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower, the Administrative Agent and Bank of America as an L/C Issuer may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender or L/C Issuer may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent and the other L/C Issuers. In addition, each Lender and each L/C Issuer (other than Bank of America) agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Administrative Agent, L/C Issuers and Lenders. The Administrative Agent, the L/C Issuers and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

Section 10.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender, any L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders and the L/C Issuers; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its

benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) each L/C Issuer from exercising the rights and remedies that inure to its benefit (solely in its capacity as an L/C Issuer) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of Section 2.13), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by each L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or any L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or any L/C Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or any L/C Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent, each Lender and each L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan

Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party or any of the Borrower's or such Loan Party's directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE**; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), each other Agent, any L/C Issuer or any Related Party of any of the foregoing (and without limiting the Borrower's obligation to do so), each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such other Agent, such L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in connection with such capacity; and provided further that the obligation to indemnify the L/C Issuers hereunder shall be limited solely to the Revolving Credit Lenders. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials

distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than thirty days after written demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent and each L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

Section 10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, any L/C Issuer or any Lender, or the Administrative Agent, any L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, such L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders and the L/C Issuers under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuers and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment under any Facility and the Loans at the time owing to it under such Facility or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$2,500,000, in the case of any assignment in respect of the Revolving Credit Facility, or \$1,000,000, in the case of any assignment in respect of the Term Loan Facility, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Facilities on a non-pro rata basis;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a

Lender, an Affiliate of a Lender or an Approved Fund; *provided* that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (1) any Term Loan Commitment or Revolving Credit Commitment if such assignment is to a Person that is not a Lender with a Commitment in respect of the applicable Facility, an Affiliate of such Lender or an Approved Fund with respect to such Lender or (2) any Term Loan to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund; and

(C) the consent of each L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding).

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower or Defaulting Lender. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy (or the equivalent thereof in electronic form) of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the L/C Issuers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a nonfiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01, unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Resignation as L/C Issuer after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America acting as an L/C Issuer or other Lender that has issued a then-outstanding Letter of Credit assigns all of its Revolving Credit Commitment and Revolving Credit Loans pursuant to subsection (b) above, Bank of America or such other Lender, as applicable, may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as an L/C Issuer. In the event of any such resignation as L/C Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America or such other assigning Lender as L/C Issuer, as the case may be. If Bank of America or such other assigning Lender resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). Upon the appointment of a successor L/C Issuer, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America or such other retiring L/C Issuer, as the case may be, to effectively assume the obligations of Bank of America or such other retiring L/C Issuer, as the case may be, with respect to such Letters of Credit.

Section 10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws

or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or any Eligible Assignee invited to be a Lender pursuant to Section 2.14(c) or Section 2.15(c) or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any other Agent, any Lender, any L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section, “Information” means all information received from any Loan Party or any Subsidiary thereof relating to any Loan Party or any Subsidiary thereof or any of their respective businesses, other than any such information that is available to the Administrative Agent, any other Agent, any Lender or any L/C Issuer on a nonconfidential basis prior to disclosure by any Loan Party or any Subsidiary thereof, provided that, in the case of information received from a Loan Party or any such Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

Section 10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, each L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, such L/C Issuer or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or such L/C Issuer, irrespective of whether or not such Lender or such L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender or such L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff hereunder, (i) all amounts so set off shall be paid over immediately to the Administrative Agent

for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the L/C Issuer and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, such L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, such L/C Issuer or their respective Affiliates may have. Each Lender and each L/C Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

Section 10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

Section 10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, if any Lender is a Non-Consenting Lender or a Defaulting Lender, or if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in connection with any such replacement, if any such Non-Consenting Lender or Defaulting Lender does not execute and deliver to the Administrative Agent a duly executed Assignment and Assumption reflecting such replacement within five (5) Business Days of the date on which the assignee Lender executes and delivers such Assignment and Assumption to such Non-Consenting Lender or Defaulting Lender, then such Non-Consenting Lender or Defaulting Lender shall be deemed to have executed and delivered such Assignment and Assumption without any action on the part of the Non-Consenting Lender or Defaulting Lender.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE AND COUNTY OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arranger are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.17 Electronic Execution of Assignments and Certain Other Documents. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 10.18 USA PATRIOT Act. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and each other Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower and each other Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

Section 10.19 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Lender from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Lender in such currency, the Administrative Agent or such Lender, as the case may be, agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

Section 10.20 Assignment and Reallocation of Commitments, Etc. On the Closing Date, each of the Existing Lenders under the Existing Credit Agreement hereby sells, assigns, transfers and conveys to the Lenders hereunder, and each of the Lenders hereunder hereby purchases and accepts, so much of the aggregate commitments under, and loans and participations in letters of credit outstanding under, the Existing Credit Agreement such that, immediately after giving effect to the effectiveness of this Agreement (including any increase of the commitments effectuated hereby), the relevant Commitments of each Lender, shall be as set forth on Schedule 2.01 hereto (it being understood that if any Letters of Credit are outstanding under the Existing Credit Agreement as of the Closing Date, then each of the Revolving Credit

Lenders shall have purchased and accepted from the Existing Lenders, a participation in such outstanding Letters of Credit based on its respective Applicable Revolving Credit Percentage). The foregoing assignments, transfers and conveyances are without recourse to any Existing Lender and without any warranties whatsoever by the Administrative Agent, the L/C Issuer or any Existing Lender as to title, enforceability, collectability, documentation or freedom from liens or encumbrances, in whole or in part, other than that the warranty of any such Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests. The Existing Lenders and the Lenders shall, if appropriate, make all appropriate adjustments in payments under the Existing Credit Agreement, the "Notes" and the other "Loan Documents" thereunder for periods prior to the adjustment date among themselves, but in no event shall any such adjustment of Eurodollar Rate Loans (a) constitute a payment or prepayment of all or a portion of any Eurodollar Rate Loans or (b) entitle any Lender to any reimbursement under Section 3.05 hereof.

Section 10.21 ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

(Signature pages begin on following page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PARKER DRILLING COMPANY

By: /s/ W. Kirk Brassfield

Name: W. Kirk Brassfield

Title: Senior Vice President & Chief Financial
Officer

-Signature Page to Credit Agreement-

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Alan Tapley

Name: Alan Tapley

Title: Assistant Vice President

-Signature Page to Credit Agreement-

BANK OF AMERICA, N.A., as a Lender and an
L/C Issuer

By: /s/ Joseph F. Scott

Name: Joseph F. Scott

Title: Director

-Signature Page to Credit Agreement-

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-Signature Page to Credit Agreement-

NATIXIS, NEW YORK BRANCH, as a Co-Documentation Agent and a Lender

By: /s/ Louis P. Laville, III

Name: Louis P. Laville, III

Title: Managing Director

By: /s/ Kenyatta B. Gibbs

Name: Kenyatta B. Gibbs

Title: Director

-Signature Page to Credit Agreement-

WELLS FARGO BANK, N.A., as a Co-
Documentation Agent and a Lender

By: /s/ Corbin Womac
Name: Corbin Womac
Title: Vice President

-Signature Page to Credit Agreement-

WHITNEY BANK, as a Co-Documentation Agent and
a Lender

By: /s/ Paul Cole

Name: Paul Cole

Title: Senior Vice President

-Signature Page to Credit Agreement-

THE ROYAL BANK OF SCOTLAND plc, as a
Lender

By: /s/ Todd Vaubel

Name: Todd Vaubel

Title: Authorised Signatory

-Signature Page to Credit Agreement-

BARCLAYS BANK PLC, as a Lender

By: /s/ Vanessa A. Kurbatskiy

Name: Vanessa A. Kurbatskiy

Title: Vice President

-Signature Page to Credit Agreement-

**CATERPILLAR FINANCIAL SERVICES
CORPORATION**, as a Lender

By: /s/ Charles C. Shupe III

Name: Charles C. Shupe III

Title: Credit Manager

-Signature Page to Credit Agreement-

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Koby West

Name: Koby West

Title: Assistant Vice President

-Signature Page to Credit Agreement-

NORTHRIM BANK, as a Lender

By: /s/ Joseph M. Beedle

Name: Joseph M. Beedle

Title: President

-Signature Page to Credit Agreement-

DEUTSCHE BANK AG NEW YORK BRANCH, as
a Lender

By: /s/ Michael Getz

Name: Michael Getz

Title: Vice President

By: /s/ Marcus M. Tarkington

Name: Marcus M. Tarkington

Title: Director

-Signature Page to Credit Agreement-

EXISTING COLLATERAL DOCUMENTS

1. UCC-1 Financing Statement re: all of Debtor's personal property naming the indicated Debtors and Bank of America, N.A., as Administrative Agent, filed as follows:

Debtor	Jurisdiction	File No.	File Date
Anachoreta, Inc.	Nevada	2008018962-6	6/16/08
Pardril, Inc.	Oklahoma Co., OK	2008005729538	5/19/08
Parker Aviation, Inc.	Oklahoma Co., OK	2008005729942	5/19/08
Parker Drilling Arctic Operating, Inc.	Delaware	2008-1704673	5/16/08
Parker Drilling Company	Delaware	2008-1704152	5/16/08
Parker Drilling Company North America, Inc.	Nevada	2008018961-4	6/16/08
Parker Drilling Company of Niger	Oklahoma Co., OK	2008006975542	6/18/08
Parker Drilling Company of Oklahoma, Incorporated	Oklahoma Co., OK	2008006975441	6/18/08
Parker Drilling Company of South America, Inc.	Oklahoma Co., OK	2008006975340	6/18/08
Parker Drilling Management Services, Inc.	Nevada	2008016146-4	5/20/08
Parker Drilling Offshore Corporation	Nevada	2008016147-6	5/20/08
Parker Drilling Offshore USA, L.L.C.	Oklahoma Co., OK	2008005729841	5/19/08
Parker North America Operations, Inc.	Nevada	2008016148-8	5/20/08
Parker Technology, Inc.	Oklahoma Co., OK	2008005729740	5/19/08
Parker Technology, L.L.C.	Iberia Parish, LA	23-08-2050	6/17/08
Parker Tools, LLC	Oklahoma Co., OK	2008005729639	5/19/08
Parker USA Resources, LLC	Oklahoma Co., OK	2008005730025	5/19/08
Parker-VSE, Inc.	Nevada	2008018963-8	6/16/08
Parker-VSE, LLC	Nevada	2010029401-6	11/19/10
PD Management Resources, LP	Oklahoma Co., OK	2008005730126	5/19/08
Quail Tools, L.P.		2008005730227	5/19/08
	Oklahoma Co., OK		
Quail USA, LLC	Oklahoma Co., OK	2008005730328	5/19/08

2. First Preferred Fleet Mortgage by Parker Drilling Offshore USA, L.L.C. in favor of Bank of America, N.A., as Administrative Agent for the Secured Parties, as Trustee, under the Credit Agreement dated as of May 15, 2008, as amended by that certain Amendment to

Schedule I to Credit Agreement

First Preferred Fleet Mortgage dated as of June 10, 2010, from Parker Drilling Offshore USA, L.L.C. in favor of Bank of America, N.A., as Administrative Agent, as further amended by that certain Amendment to First Preferred Fleet Mortgage dated as of April 27, 2012, from Parker Drilling Offshore USA, L.L.C. in favor of Bank of America, N.A., as Administrative Agent, filed as follows:

<u>Jurisdiction</u>	<u>Initial File No.</u>	<u>Initial File Date</u>	<u>First Amendment File No.</u>	<u>First Amendment File Date</u>	<u>Second Amendment File No.</u>	<u>Second Amendment File Date</u>
U.S. Coast Guard, National Vessel Documentation Center	Batch Number: 639879, Document ID: 8911423	5/19/08	Batch Number: 750671, Document ID: 12159811	6/14/2010	Batch Number: 870281, Document ID: 15251568	6/4/12 at 10:46 am

3. Subsidiary Guaranty, dated as of May 15, 2008, by each of the Subsidiary Guarantors in favor of the Administrative Agent, for its benefit and the ratable benefit of each other Secured Party, as the same may have been amended, supplemented or otherwise modified.
4. Irrevocable Proxy, Pledge and Security Agreement, dated as of May 15, 2008, by each Loan Party in favor of the Administrative Agent, for its benefit and the ratable benefit of each other Secured Party, as the same may have been amended, supplemented or otherwise modified.
5. Deposit Account Control Agreement, dated as of May 15, 2008, among the Borrower, the Administrative Agent and Bank of America, N.A., as the "Bank", regarding the deposit account identified by 2865065521, as the same may have been amended, supplemented or otherwise modified.
6. Deposit Account Control Agreement, dated as of May 15, 2008, among the Borrower, the Administrative Agent and Bank of America, N.A., as the "Bank", regarding the deposit accounts identified by 2863596694 and 2863596704, as the same may have been amended, supplemented or otherwise modified.
7. Deposit Account Control Agreement, dated as of May 15, 2008, among Parker Drilling Pacific Rim, Inc., the Administrative Agent and Bank of America, N.A., as the "Bank", regarding the deposit account identified by 2867563597, as the same may have been amended, supplemented or otherwise modified.
8. Deposit Account Control Agreement, dated as of May 15, 2008, among Parker Drilling Eurasia, Inc., the Administrative Agent and Bank of America, N.A., as the "Bank", regarding the deposit account identified by 2867563607, as the same may have been amended, supplemented or otherwise modified.

Schedule I to Credit Agreement

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9. Collateral Account Control Agreement, dated as of May 15, 2008, among the Borrower, the Administrative Agent and Banc of America Securities LLC, as the “Securities Intermediary”, regarding the deposit account identified by 24901042, as the same may have been amended, supplemented or otherwise modified.
 10. Collateral Account Control Agreement, dated as of May 15, 2008, among Parker Drilling Offshore Corporation, the Administrative Agent and Banc of America Securities LLC, as the “Securities Intermediary”, regarding the deposit account identified by 24901043, as the same may have been amended, supplemented or otherwise modified.
 11. Collateral Account Control Agreement, dated as of May 15, 2008, among Quail Tools, L.P., the Administrative Agent and Regions Bank, as the “Bank”, regarding the deposit accounts identified by 4701209190 and 4701209190 001, as the same may have been amended, supplemented or otherwise modified

(End of Schedule I)

Schedule I to Credit Agreement

EXISTING LETTERS OF CREDIT

Letter of Credit Number	Beneficiary	Amount	Expiration Date	L/C Issuer
44164	Insurance Company of North America	463,000.00	5/07/13	Bank of America, N.A.
457641	National Union Fire Insurance	85,150.00	5/07/13	Bank of America, N.A.
3048897	Insurance Company of North America	395,670.00	5/07/13	Bank of America, N.A.
3086642	Port of Iberia	25,000.00	5/07/13	Bank of America, N.A.
3086740	Bank of America	1,708,020.00	5/07/13	Bank of America, N.A.
3118204	ACE American Insurance	150,000.00	5/07/13	Bank of America, N.A.
3126215	OilTechnoGroup LLP	1,700,000.00	1/15/13	Bank of America, N.A.
TOTAL		\$4,526,840.00		

Schedule 1.01(a) to Credit Agreement

ACCOUNT DEBTORS

None

Schedule 1.01(b) to Credit Agreement

EXISTING TERM LOANS

LENDER	AMOUNT
Bank of America, N.A.	\$ 5,874,294.09
Barclays Bank PLC	\$ 5,443,037.98
Caterpillar Financial Services Corporation	\$ 1,699,902.60
Deutsche Bank AG New York Branch	\$ 3,119,279.46
HSBC Bank USA, National Association	\$ 1,214,216.20
Natixis, New York Branch (after giving effect to the assignments from Liberty Island Funding 2011-1 LTD pursuant to Section 10.20 of the Credit Agreement)	\$ 5,237,877.26
Northrim Bank	\$ 3,935,735.16
The Royal Bank of Scotland plc	\$ 5,874,294.09
Wells Fargo Bank, N.A.	\$ 4,421,421.56
Whitney Bank	\$ 4,965,725.40
TOTAL:	\$43,000,000.00

Schedule 1.01(c) to Credit Agreement

**COMMITMENTS
AND APPLICABLE PERCENTAGES**

<u>Lender</u>	<u>Revolving Credit Commitment</u>	<u>Term Loan Commitment</u>	<u>Revolving Credit Applicable Percentage</u>	<u>Term Loan Applicable Percentage</u>
Bank of America, N.A.	\$10,500,000.02	\$ 7,499,999.98	13.1250000250%	14.9999999600%
The Royal Bank of Scotland plc	9,916,666.67	7,083,333.33	12.3958333375%	14.1666666600%
Natixis, New York Branch	9,333,333.33	6,666,666.67	11.6666666625%	13.333333400%
Wells Fargo Bank, N.A.	9,333,333.33	6,666,666.67	11.6666666625%	13.333333400%
Whitney Bank	9,333,333.33	6,666,666.67	11.6666666625%	13.333333400%
Barclays Bank PLC	10,000,000.00	—	12.5000000000%	0.0000000000%
Caterpillar Financial Services Corporation	5,833,333.33	4,166,666.67	7.2916666625%	8.333333400%
HSBC Bank USA, National Association	5,833,333.33	4,166,666.67	7.2916666625%	8.333333400%
Northrim Bank	5,833,333.33	4,166,666.67	7.2916666625%	8.333333400%
Deutsche Bank AG New York Branch	4,083,333.33	2,916,666.67	5.1041666625%	5.833333400%
Total	<u>\$80,000,000.00</u>	<u>\$50,000,000.00</u>	<u>100.000000000%</u>	<u>100.000000000%</u>

Schedule 2.01 to Credit Agreement

CONSENTS, AUTHORIZATIONS, FILINGS AND NOTICES

Consents of the partners of the following limited partnerships with respect to pledge of any partnership interests in such limited partnerships, which have been obtained:

Quail Tools, L.P.

Schedule 5.02 to Credit Agreement

LITIGATION

The Borrower received requests from the United States Department of Justice (DOJ) in July 2007 and the United States Securities and Exchange Commission (SEC) in January 2008 relating to the Borrower's utilization of the services of a customs agent. In particular, the DOJ and the SEC are investigating certain of the Borrower's operations relating to countries in which it currently operate or formerly operated, including Kazakhstan and Nigeria. The Borrower is fully cooperating with the DOJ and SEC investigations and conducted an internal investigation into potential customs and other issues in Kazakhstan and Nigeria. The internal investigation has identified issues relating to potential non-compliance with applicable laws and regulations, including the FCPA, with respect to operations in Kazakhstan and Nigeria. At this point, the Borrower is unable to predict the duration, scope or result of the DOJ or the SEC investigation or whether either agency will commence any legal action. The Borrower is currently in continuing discussions with the DOJ and SEC regarding a potential settlement of this matter, but no agreement has been reached with either agency.

The DOJ and the SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, which they may seek to impose against corporations and individuals in appropriate circumstances including, but not limited to, injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs. In addition, corporations may have to end or modify existing business relationships. Any of these remedial measures, if applicable to the Borrower, could have a material adverse impact on our business, results of operations, financial condition and liquidity.

Schedule 5.04 to Credit Agreement

SPECIFIED RIGS

Owner	Vessel Name	Official Number	Flagged Jurisdiction
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 8-B	598345	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 12-B	617093	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 15-B	599619	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 20-B	634630	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 21-B	616392	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 50-B	640365	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 51-B	640959	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 54-B	628668	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 55-B	643082	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 56-B	612937	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 72	642929	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 76-B	594111	U.S.
Parker Drilling Offshore USA, L.L.C.	Parker Drilling 77-B	600135	U.S.

Schedule 5.07 to Credit Agreement

**SUBSIDIARIES, AND
OTHER EQUITY INVESTMENTS**

(a). Subsidiaries.

Part (i)

<u>Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Owner</u>	<u>% Ownership Interest</u>	<u>Type* (M=Material; I=Immaterial; E=Excluded; P=Project Finance)</u>
Anachoreta, Inc.	Nevada	Parker Drilling Company	100%	M
AralParker CJSC	Kazakhstan	Parker Drilling (Kazakstan), LLC	100%	E
Canadian Rig Leasing, Inc.	Oklahoma	Parker Drilling Company	100%	I
Casuarina Ltd.	Bermuda	Parker Drilling Company	100%	E
Choctaw International Rig Corp.	Nevada	Parker Drilling Domestic Holding Company, LLC	100%	E
Creek International Rig Corp.	Nevada	Parker Drilling Domestic Holding Company, LLC	100%	E
DGH, Inc.	Texas	Parker Drilling Company	100%	E
Indocorp of Oklahoma, Inc.	Oklahoma	Parker Drilling Company	100%	I
KDN Drilling Limited	Nigeria	Parker Drilling Offshore International, Inc.	100%	E
Mallard Argentine Holdings, Ltd.	Cayman Islands	Parker Drilling Offshore Corporation	100%	E
Mallard Drilling of South America, Inc.	Cayman Islands	Parker Drilling Offshore Corporation	100%	E
Mallard Drilling of Venezuela, Inc.	Cayman Islands	Parker Drilling Offshore Corporation	100%	E
Pardril, Inc.	Oklahoma	Parker Drilling Company	100%	I
Parker 3source, LLC	Delaware	PD Offshore Holdings CV	100%	E
Parker 5272, LLC	Delaware	PD International Holdings CV	100%	E
Parker Aviation, Inc.	Oklahoma	Parker Drilling Company	100%	M
Parker Central Europe Rig Holdings Limited Liability Company	Hungary	Parker Drilling (Kazakstan), LLC	100%	E
Parker Drilllex, LLC	Delaware	PD Selective Holdings CV	100%	E
Parker Drilling Arctic Operating Inc.	Delaware	Parker Drilling Company	100%	M
Parker Drilling Asia Pacific, LLC	Delaware	Parker Drilling Company	100%	E

Schedule 5.14 to Credit Agreement

<u>Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Owner</u>	<u>% Ownership Interest</u>	<u>Type* (M=Material; I=Immaterial; E=Excluded; P=Project Finance)</u>
Parker Drilling AME Limited	Cayman Islands	PD Selective Holdings CV	100%	E
Parker Drilling Company (Bolivia) S.A.	Bolivia	Parker Drilling Company	100%	E
Parker Drilling Company Eastern Hemisphere, Ltd.	Oklahoma	Parker Drilling Eurasia, Inc.	100%	E
Parker Drilling Company International LLC	Delaware	PD Dutch Holdings CV	100%	E
Parker Drilling Company International Limited	Nevada	Parker Drilling Eurasia, Inc.	100%	E
Parker Drilling Company Kuwait Limited	Bahamas	PD Selective Holdings CV	99%	E
Parker Drilling Company Limited (Bahamas)	Bahamas	Parker-VSE, LLC	100%	E
Parker Drilling Company Limited LLC	Delaware	Parker Drilling Company	100%	I
Parker Drilling Company North America, Inc.	Nevada	Parker North America Operations, Inc.	100%	I
Parker Drilling Company of Argentina, Inc.	Nevada	Parker Drilling Domestic Holding Company, LLC	100%	I
Parker Drilling Company of Bolivia, Inc.	Oklahoma	Parker Drilling Company	100%	I
Parker Drilling Company of Mexico, LLC	Nevada	Parker Drilling Offshore USA, L.L.C.	100%	I
Parker Drilling Company of New Guinea, LLC	Delaware	PD Selective Holdings CV	100%	E
Parker Drilling Company of New Zealand	New Zealand	PD Dutch Holdings CV	100%	E
Parker Drilling Company of Niger	Oklahoma	Parker Drilling Company	100%	I
Parker Drilling Company of Oklahoma, Incorporated	Oklahoma	Parker Drilling Company	100%	M
Parker Drilling Company of Sakhalin	Russia	PD Selective Holdings CV	100%	E
Parker Drilling Company of Singapore, LLC	Delaware	PD Selective Holdings CV	100%	E

Schedule 5.14 to Credit Agreement

<u>Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Owner</u>	<u>% Ownership Interest</u>	<u>Type* (M=Material; I=Immaterial; E=Excluded; P=Project Finance)</u>
Parker Drilling Company of South America, Inc.	Oklahoma	Parker Drilling Company	100%	I
Parker Drilling de Mexico, S. de R.L. de C.V.	Mexico	Parker Drilling Offshore Corporation	2%	E
		Parker Drilling Offshore USA, L.L.C.	98%	
Parker Drilling Domestic Holding Company, LLC	Delaware	Parker Drilling Company	100%	E
Parker Drilling Dutch BV	Netherlands	PD Dutch Holdings CV	100%	E
Parker Drilling Eurasia, Inc.	Delaware	Parker Drilling Offshore Corporation	35.22%	E
		Parker Drilling International Holding Company, LLC	64.78%	
Parker Drilling International BV	Netherlands	Parker Drilling Netherlands BV	100%	E
Parker Drilling International Holding Company, LLC	Delaware	Parker Drilling Company	100%	E
Parker Drilling International of New Zealand Limited	New Zealand	PD Dutch Holdings CV	100%	E
Parker Drilling Investment Company	Oklahoma	Parker Drilling Company	100%	E
Parker Drilling (Kazakhstan), LLC	Delaware	PD Dutch Holdings CV	100%	E
Parker Drilling Kazakhstan BV	Netherlands	Parker Drilling Netherlands BV	100%	E
Parker Drilling Management Services, Inc.	Nevada	Parker Drilling Company	100%	M
Parker Drilling (Nigeria), Limited	Nigeria	Parker Drilling Offshore International, Inc.	100%	E
Parker Drilling Netherlands BV	Netherlands	PD Selective Holdings CV	100%	E
Parker Drilling Offshore BV	Netherlands	Parker Drilling Dutch BV	100%	E
Parker Drilling Offshore Corporation	Nevada	Parker North America Operations, Inc.	100%	M
Parker Drilling Offshore International, Inc.	Cayman Islands	Parker Drilling Offshore Corporation	100%	E
Parker Drilling Offshore USA, L.L.C.	Oklahoma	Parker Drilling Offshore Corporation	100%	M

Schedule 5.14 to Credit Agreement

<u>Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Owner</u>	<u>% Ownership Interest</u>	<u>Type* (M=Material; I=Immaterial; E=Excluded; P=Project Finance)</u>
Parker Drilling Overseas BV	Netherlands	Parker Drilling Netherlands BV	100%	E
Parker Drilling Pacific Rim, Inc.	Delaware	Parker Drilling Offshore Corporation	26%	E
		Parker Drilling Domestic Holding Company, LLC	74%	
Parker Drilling Russia BV	Netherlands	Parker Drilling Netherlands BV	100%	E
Parker Drilling Spain Rig Services, S.L.	Spain	Parker Hungary Rig Holdings LLC	100%	E
Parker Drilling Tengiz, Ltd.	Kazakhstan	Parker Drilling Company	99%	E
Parker Drillserv, LLC	Delaware	Parker Drilling Eurasia, Inc.	100%	E
Parker Drillsource, LLC	Delaware	PD Selective Holdings CV	100%	E
Parker Drilltech, LLC	Delaware	Parker Drilling Eurasia, Inc.	100%	E
Parker Enex, LLC	Delaware	Parker Drilling Offshore USA L.L.C.	100%	I
Parker Hungary Rig Holdings LLC	Hungary	Parker Drillsource, LLC	100%	E
Parker Intex, LLC	Delaware	Parker Drilling Company	100%	I
Parker North America Operations, Inc.	Nevada	Parker Drilling Company	100%	M
Parker Rigsources, LLC	Delaware	Parker Drilling Pacific Rim, Inc.	100%	I
Parker Technology, Inc.	Oklahoma	Parker Drilling Company	100%	M
Parker Technology, L.L.C.	Louisiana	Parker Drilling Offshore Corporation	100%	I
Parker Tools, LLC	Oklahoma	Parker Drilling Offshore Corporation	100%	M
Parker USA Drilling Company	Nevada	Parker North America Operations, Inc.	100%	I
Parker-VSE, LLC	Nevada	Parker Drilling Company	100%	I
PD Dutch Holdings CV	Netherlands	PD International Holdings CV	99.96%	E
		Parker 5272, LLC	.04%	

Schedule 5.14 to Credit Agreement

<u>Subsidiary</u>	<u>Jurisdiction of Formation</u>	<u>Owner</u>	<u>% Ownership Interest</u>	<u>Type* (M=Material; I=Immaterial; E=Excluded; P=Project Finance)</u>
PD International Holdings CV	Netherlands	Parker Drilling Company Parker Drilling Pacific Rim, Inc. Parker Intex Parker Rigsources	.04% 99.88% .04% .04%	E
PD Personnel Services, Ltd.	Cayman Islands	PD Selective Holdings CV	100%	E
PD Labor Sourcing, Ltd.	Cayman Islands	PD Selective Holdings CV	100%	E
PD Offshore Holdings CV	Netherlands	Parker Drilling Eurasia, Inc. Parker Drillserv, LLC Parker Drilltech, LLC	99.96% 0.02% 0.02%	E
PD Selective Holdings CV	Netherlands	PD Offshore Holdings CV Parker 3source. LLC	99.97% 0.03%	E
PD Servicios Integrales, S. de R.L. de C.V.	Mexico	Parker Drilling Offshore Corporation Parker Drilling Offshore USA, L.L.C.	98% 2%	E
PKD Sales Corporation	Oklahoma	Parker Drilling Company	100%	E
Quail Tools, L.P.	Oklahoma	<u>General partner:</u> Quail USA, LLC <u>Limited partner:</u> Parker Tools, LLC	1% 99%	M
Quail USA, LLC	Oklahoma	Parker Drilling Offshore Corporation	100%	M
Selective Drilling Corporation	Oklahoma	Parker Drilling Company	100%	E
Universal Rig Service LLC	Delaware	Parker Drilling Company	100%	E

NOTE: Effective December 31, 2012, PD Management Resources, L.P., Parker Offshore Resources, L.P., and Parker USA Resources, LLC will merge with and into Parker Drilling Management Services, Inc., with Parker Drilling Management Services, Inc. being the surviving entity. Consequently, only Parker Drilling Management Services, Inc. is listed above as a subsidiary.

NOTE: As of the date of this Agreement, there are not any Project Finance Subsidiaries.

Schedule 5.14 to Credit Agreement

Part (ii) Other Equity Investments.

<u>Name</u>	<u>Jurisdiction of Formation</u>	<u>Parker Entity Owner</u>	<u>Ownership Percentage</u>	<u>Other Owner(s)</u>
Primorsky Drill Rig Services B.V.	Netherlands	Parker Drilling Netherlands B.V.	50%	Vladivostok Development Corporation
SaiPar Drilling Company BV	Netherlands	Parker Drilling Dutch BV	50%	Saipem International BV
Parker SMNG Drilling LLC	Russia	Parker Drilling Company International LLC	50%	JSC Sakhalinmorneftemontaz

(b). **OUTSTANDING SUBSCRIPTIONS, OPTIONS, WARRANTS, CALLS, RIGHTS, OR OTHER AGREEMENTS OR COMMITMENTS**

Those entered into in connection with the Convertible Notes pursuant to the following agreements (collectively, the “High Strikes Agreements”):

1. Confirmation of Issuer Warrant Transaction dated as of June 28, 2007, by and between Parker Drilling Company and Bank of America, N.A.
2. Amendment to Confirmation of Issuer Warrant Transaction, dated as of June 29, 2007, by and between Parker Drilling Company and Bank of America, N.A.
3. Confirmation of Issuer Warrant Transaction, dated as of June 28, 2007, by and between Parker Drilling Company and Deutsche Bank AG, London Branch.
4. Amendment to Confirmation of Issuer Warrant Transaction, dated as of June 29, 2007, by and between Parker Drilling Company and Deutsche Bank AG, London Branch.
5. Confirmation of Issuer Warrant Transaction dated as of June 28, 2007, by and between Parker Drilling Company and Lehman Brothers OTC Derivatives Inc.
6. Amendment to Confirmation of Issuer Warrant Transaction, dated as of June 29, 2007, by and between Parker Drilling Company and Lehman Brothers OTC Derivatives Inc. together with all instruments and other agreements entered into by the Borrower or its Subsidiaries in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

Schedule 5.14 to Credit Agreement

ENVIRONMENTAL MATTERS

In 2003, the Borrower received an information request under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) designating Parker Drilling Offshore Corporation, a subsidiary of the Borrower, as a potentially responsible party with respect to the Gulfco Marine Maintenance, Inc. Superfund Site in Freeport, Texas (EPA No. TX 055144539). The Borrower responded to this request and in January 2008 received an administrative order to participate in an investigation of the site and a study of the remediation needs and alternatives. The EPA alleges that the subsidiary is a successor to a party who owned the Gulfco site during the time when chemical releases took place there. In December 2010, the Borrower entered into an agreement with two other potentially responsible parties, pursuant to which we agreed to pay 20 percent of past and future costs to study and remediate the site. To date, the Borrower believes that all required activity for removal and remediation has been completed, except for ongoing monitoring costs, and is awaiting a Notice of Completion from the EPA. The EPA has issued notice letters to several other parties who may also participate in funding the site remediation costs. As of September 30, 2012, the Borrower had made certain participating payments and had accrued \$0.6 million for its portion of certain unreimbursed past costs and the estimated future cost of remediation.

Schedule 5.16 to Credit Agreement

**UCC FILING JURISDICTION;
UNITED STATES COAST GUARD FILING
UCC FILING JURISDICTIONS:**

<u>Loan Party</u>	<u>Filing Office</u>	<u>Filing Required</u>
Anachoreta, Inc.	Nevada	UCC-3 Continuation
Pardril, Inc.	Oklahoma	UCC-3 Continuation
Parker Aviation, Inc.	Oklahoma	UCC-3 Continuation
Parker Drilling Arctic Operating, Inc.	Delaware	UCC-3 Continuation
Parker Drilling Company	Delaware	UCC-3 Continuation
Parker Drilling Company North America, Inc.	Nevada	UCC-3 Continuation
Parker Drilling Company of Niger	Oklahoma	UCC-3 Continuation
Parker Drilling Company of Oklahoma, Incorporated	Oklahoma	UCC-3 Continuation
Parker Drilling Company of South America, Inc.	Oklahoma	UCC-3 Continuation
Parker Drilling Management Services, Inc.	Nevada	UCC-3 Continuation
Parker Drilling Offshore Corporation	Nevada	UCC-3 Continuation
Parker Drilling Offshore USA, L.L.C.	Oklahoma	UCC-3 Continuation
Parker North America Operations, Inc.	Nevada	UCC-3 Continuation
Parker Technology, Inc.	Oklahoma	UCC-3 Continuation
Parker Technology, L.L.C.	Louisiana (Iberia Parish)	UCC-3 Continuation
Parker Tools, LLC	Oklahoma	UCC-3 Continuation
Parker-VSE, LLC	Nevada	UCC-3 Continuation
Parker-VSE, LLC (formerly Parker-VSE, Inc.)	Nevada	UCC-3 Amendment regarding name change
Quail Tools, L.P.	Oklahoma	UCC-3 Continuation
Quail USA, LLC	Oklahoma	UCC-3 Continuation
Parker USA Resources, LLC	Oklahoma	UCC-3 Amendment regarding name change, after merger consummated
PD Management Resources, L.P.	Oklahoma	UCC-3 Amendment regarding name change, after merger consummated

UNITED STATES COAST GUARD FILING:

The Third Amendment to First Preferred Fleet Mortgage is filed with the National Vessel Documentation Center of the United States Coast Guard in Falling Waters, West Virginia.

Schedule 5.18 to Credit Agreement

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OFAC MATTERS

In 2008, the Borrower identified certain shipments of equipment and supplies that were routed through Iran as well as other activities that may have violated applicable U.S. laws and regulations. In addition, the Borrower engaged in drilling wells in the Korpedje Field in Turkmenistan, from where natural gas may be exported by pipeline to Iran. Upon completion of its internal review, the Borrower provided the results of its review to the U.S. government. The U.S. Treasury Department's Office of Foreign Assets Control has since provided a final response to our disclosure through the issuance of a cautionary letter, which stated that these shipments appear to have violated the regulations that it administers. No civil or criminal penalties were assessed in connection with this matter.

Schedule 5.21 to Credit Agreement

EXISTING LIENS

Secured Parties: Bank Direct Capital Finance and IPFS Corporation

Collateral: Lien on all sums payable to Parker Drilling Company with reference to applicable insurance policies, securing indebtedness listed on Schedule 7.03(d) owed to Secured Party with respect to insurance premium financings.

Schedule 7.01(f) to Credit Agreement

EXISTING INDEBTEDNESS

Notes and Loans:

9.125% Senior Notes due 2018 (2010 Indenture)	\$425,000,000
Term Loan issued under 2008 Credit Agreement *	\$ 43,000,000
Bank Direct Capital Finance - Insurance Premiums**	\$ 2,316,018
IPFS Corporation - Insurance Premiums**	\$ 3,598,502

* Term Loan to be repaid at closing of 2012 Credit Agreement

* Balances as of 12/07/12

Schedule 7.03(d) to Credit Agreement

PERMITTED DISPOSITIONS

US Barge Rig 56B

Schedule 7.05(j) to Credit Agreement

**ADMINISTRATIVE AGENT'S OFFICE;
CERTAIN ADDRESSES FOR NOTICES**

PARKER DRILLING COMPANY:

Parker Drilling Company
Five Greenway Plaza
Suite 100
Houston, Texas 77046
Attention: Kirk Brassfield
Telephone: 281-406-2330
Telecopier: 281-406-2331
Electronic Mail: kirk.brassfield@parkerdrilling.com
Website Address: www.parkerdrilling.com
U.S. Taxpayer Identification Number(s): 73-0618660

ADMINISTRATIVE AGENT:

Administrative Agent's Office

(for payments and Requests for Credit Extensions):

Bank of America, N.A.
901 Main Street
Mail Code: TX1-492-14-04
Dallas, Texas 75202-3714
Attention: Jackie Jones
Telephone: 972-338-3765
Telecopier: 214-290-9439
Electronic Mail: jacqueline.r.jones@baml.com
Account No.: 1292000883
Ref: Parker Drilling Company
ABA# 026-009-593

Other Notices as Administrative Agent:

Bank of America, N.A.
Agency Management
901 Main Street
Mail Code: TX1-492-14-11
Dallas, Texas 75202-3714
Attention: Alan Tapley
Telephone: 214-209-4125
Telecopier: 214-290-9507
Electronic Mail: alan.tapley@baml.com

Schedule 10.02 to Credit Agreement

BANK OF AMERICA AS AN L/C ISSUER:

Bank of America, N.A.
Trade Operations
1 Fleet Way
Mail Code: PA6-580-02-30
Scranton, PA 18507
Attention: Mary J. Cooper
Telephone: 570-330-4235
Telecopier: 570-330-4186
Electronic Mail: mary.j.cooper@baml.com

Schedule 10.02 to Credit Agreement

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FORM OF COMMITTED LOAN NOTICE

Date: _____, ____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of [December _____, 2012] (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Parker Drilling Company, a Delaware corporation (the "Borrower"), the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto.

The Borrower hereby requests (select one):

- A Borrowing of [Revolving Credit][Term] Loans
- A conversion or continuation of [Revolving Credit] [Term] Loans
 1. On _____ (a Business Day).
 2. In the amount of \$_____
 3. Comprised of _____
[Type of Loan requested]
 4. For Eurodollar Rate Loans: with an Interest Period of _____ months.

[The Term Loan Borrowing requested herein complies with the proviso in the first sentence of Section 2.01(a) of the Agreement.]¹
[The Revolving Credit Borrowing requested herein complies with the proviso in the first sentence of Section 2.01(b) of the Agreement.]²

The Borrower hereby represents and warrants that the conditions specified in Sections 4.02(a), (b) and (d) shall be satisfied on and as of the date of the applicable Credit Extension.

PARKER DRILLING COMPANY

By: _____

Name: _____

Title: _____

¹ Include this sentence in the case of a Term Loan Borrowing.
² Include this sentence in the case of a Revolving Credit Borrowing

FORM OF BORROWING BASE CERTIFICATE

Date: _____, ____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

- (1) Total Borrowing Base
(from Schedule I) _____
- (2) Revolving Credit Facility _____
- (3) Aggregate Outstanding Amount of the Revolving Credit Loans _____
- (4) Aggregate Outstanding Amount of the L/C Obligations _____
- (5) Aggregate Outstanding Amount of the Term Loans _____
- (6) Aggregate unused Term Loan Commitments _____
- (7) Borrowing Availability (Borrowing Base Deficiency)
 - (A) the lesser of (1) and the sum of (2) plus (5) plus (6) minus
 - (B) the sum of (3) plus (4) plus (5) _____

This report (this "Certificate") is submitted pursuant to Section 6.10(a) of the Amended and Restated Credit Agreement, dated as of [December , 2012] (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"), among Parker Drilling Company, a Delaware corporation (the "Borrower"), the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto. Pursuant to the Collateral Documents, the Administrative Agent has been granted a security interest in all of the Collateral referred to in this Certificate and has a valid perfected first priority security interest in the Eligible Collateral, subject to the Liens permitted under Section 7.01 of the Credit Agreement. Unless otherwise indicated, capitalized terms used but not defined herein shall have the meanings ascribed to them in the Credit Agreement.

The undersigned hereby certifies, as of the date first written above, that (a) the amounts and calculations herein and in Schedule I accurately reflect the Accounts, Eligible Accounts, Rental Equipment, Eligible Rental Equipment, Specified Rigs, Eligible Specified Rigs and Outstanding Amounts and (b) no Default or Event of Default has occurred or is continuing.

PARKER DRILLING COMPANY

By: _____
Name: _____
Title: _____

B-2
Form of Borrowing Base Certificate

Credit Agreement

SCHEDULE I
to Borrowing Base Certificate

Parker Drilling Company Borrowing Base Certificate for the Month Ending: _____, 20____

<u>ITEM</u>	<u>Amount</u>
I. Accounts	
<i>Initial deductions (pursuant to definition of Net Amount):</i> (Returns, rebates, discounts, credits, allowances, taxes)	
<i>Deductions for ineligible accounts (pursuant to definition of Eligible Accounts Receivable:</i>	
Accounts arising out of sales to an Affiliate (paragraph (a))	
Accounts more than 60 days overdue after original payment due date or more than 90 days overdue after original invoice date or, in the case of Accounts from Qualified Account Debtors, Accounts more than 90 days overdue after the original payment due date or 120 days overdue after the original invoice date (paragraph (b))	
Accounts of debtors 50% or more of whose Accounts are ineligible pursuant to overdue provision (paragraph (c))	
Accounts of debtor exceeding 15% of all Accounts of Borrower and the Subsidiary Guarantors combined or, for certain debtors, the threshold determined in Schedule 1.01(b) (paragraph (d))	
Accounts of debtor who is creditor of Borrower or Subsidiary Guarantor; Accounts of debtor who has disputed liability or has made claims with respect to any Accounts; Accounts subject to any right of set-off by debtor or with respect to which any other claim, counterclaim, chargeback, rebate, allowance or offset has been asserted (paragraph (e))	
The amount set forth in this row shall be reduced by the portion of any Account that would otherwise be included in this row to the extent (i) supported or secured by an irrevocable letter of credit that has been duly transferred to the Administrative Agent or (ii) subject to a no offset letter, all subject to the further qualifications and limitations set forth in the definition of Eligible Accounts Receivable (paragraph (e) proviso)	
Accounts of bankrupt debtors (paragraph (f))	
Accounts of debtors outside of the United States, Canada or Puerto Rico, unless letter of credit has been issued (paragraph (g))	
Bill-and-hold, guaranteed sale, sale-and return, sale on approval or consignment basis or pursuant to written agreement providing for the repurchase or return (paragraph (h))	
Accounts for which the Administrative Agent determines (in its Permitted Discretion) that collection is insecure or that it may not be paid by reason of financial inability to pay (paragraph (i))	

Government Accounts (paragraph (j))

Accounts requiring additional services or obligation or otherwise not representing final sale (paragraph (k))

Documentation relating to the Accounts does not comply with all legal requirements (paragraph (l))

Accounts as to which representations and warranties are breached (paragraph (m))

Accounts subject to adverse security deposit, progress payment or similar advance (to the extent thereof) (paragraph (n))

Accounts relating to any instrument or chattel paper that have not been pledged to the Administrative Agent (o))

Accounts of debtor in State requiring filing of Notice of Business Activity Report if Borrower and Subsidiary Guarantor have not qualified to do business or obtained such filing (paragraph (p))

Accounts arising from progress billing or is otherwise conditioned upon Borrower's or Subsidiary Guarantor's performance (paragraph (q))

Accounts deemed ineligible by Administrative Agent (in its Permitted Discretion) (paragraph (r))

Total ineligible:
Eligible Accounts Receivables:
Advance Rate: 85%
Accounts availability:

II. Rental Equipment

Net Orderly Liquidation Value:

Net Book Value:

Deductions for ineligible rental equipment (pursuant to definition of Eligible Rental Equipment):

Rental Equipment not solely owned by Quail Rental Tools (section (i))

Rental Equipment not subject to Administrative Agent's first priority security interest (section (ii))

Rental Equipment for which Quail Rental Tools does not have title or which is located outside continental United States, the Gulf of Mexico and Canada (section (iii))

Rental Equipment which is obsolete, unmerchantable or slow moving (section (iv))

Rental Equipment which does not conform to representations and warranties in Credit Agreement (section (v))

Rental Equipment held under Vendor Lease (section (i))

Rental Equipment held at leased property (unless satisfactory landlord lien waiver has been obtained or rent reserve equal to 3 months rent on such property has been deducted from Borrowing Base) (Section (ii))

Rental Equipment otherwise deemed ineligible by Administrative Agent in its Permitted Discretion (section (iii))

Total ineligibles:
Eligible Rental Equipment:
Equipment OLV Percentage:
Advance Rate:
Rental Equipment availability:

III. Specified Rigs

Net Orderly Liquidation Value of Specified Rigs:

Deductions for ineligible Specified Rigs (pursuant to the definition of Eligible Specified Rigs):

Specified Rig not solely owned by a Loan Party (section (i))

Specified Rig not subject to Administrative Agent's first priority Lien (section (ii))

Specified Rig for which a Loan Party does not have title or which is located outside continental United States or Gulf of Mexico waters subject to state or Federal jurisdiction (section (iii))

Specified Rig which is obsolete (section (iv))

Specified Rig which does not conform to representations and warranties in Credit Agreement or applicable Mortgage or is not insured (section (v))

Specified Rigs otherwise deemed ineligible by Administrative Agent in its Permitted Discretion

Total ineligibles:
Eligible Specified Rigs:
Net Specified Rigs OLV:
Advance Rate: 50%
Specified Rigs availability:

IV. Net Borrowing Availability

**Total Borrowing Base [(i) Accounts availability plus (ii)
Rental Equipment availability plus (iii) Specified Rigs availability]:**

**Minimum Percentage of Total Borrowing Base
attributable to Eligible Accounts Receivable:** 20%
Current Eligible Accounts Receivable as a percentage of

**Total Borrowing Base:
Maximum Borrowing Base Availability**

(based on 20% minimum for Eligible Accounts Receivable):

**Aggregate Commitments under Revolving Credit Facility
plus Term Loan Facility:**

Total Borrowing Base:

Less: amounts outstanding under Revolving Credit Facility:

Less: amounts outstanding under Letters of Credit:

Less: amounts outstanding under Term Loan Facility:

**Less: any reserves established by the Administrative Agent pursuant to paragraph (b) of definition of Borrowing
Base and/or the second clause (ii) of the definition of "Eligible Rental Equipment" and/or Section
2.04(b):**

Net borrowing availability:

B-6

Form of Borrowing Base Certificate

Credit Agreement

FORM OF TERM NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Term Loan from time to time made by the Lender to the Borrower under that certain Amended and Restated Credit Agreement, dated as of [December _____, 2012] (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among the Borrower, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto.

The Borrower promises to pay interest on the unpaid principal amount of each Term Loan made by the Lender from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Term Note is one of the Term Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Term Note is also entitled to the benefits of the Subsidiary Guaranty and is secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Term Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Each Term Loan made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Term Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Term Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

PARKER DRILLING COMPANY

By: _____

Name: _____

Title: _____

C-1-2
Form of Term Note

Credit Agreement

FORM OF REVOLVING CREDIT NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Revolving Credit Loan from time to time made by the Lender to the Borrower under that certain Amended and Restated Credit Agreement, dated as of [December _____, 2012] (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement," the terms defined therein being used herein as therein defined), among the Borrower, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Revolving Credit Note is one of the Revolving Credit Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Revolving Credit Note is also entitled to the benefits of the Subsidiary Guaranty and is secured by the Collateral. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Revolving Credit Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Revolving Credit Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Revolving Credit Note and endorse thereon the date, amount and maturity of its Revolving Credit Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Revolving Credit Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

PARKER DRILLING COMPANY

By: _____

Name: _____

Title: _____

C-2-2
Form of Revolving Credit Note

Credit Agreement

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of [December , 2012] (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement," the terms defined therein being used herein as therein defined), among Parker Drilling Company, a Delaware corporation (the "Borrower"), the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto.

The undersigned Responsible Officer¹ hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. The Borrower has delivered the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by Section 6.02(a). In addition, the Borrower has delivered the Projections for the immediately succeeding fiscal year and such Projections are based upon good faith estimates, information and assumptions believed by management of the Borrower to be reasonable at the time made and the undersigned has no reason to believe, as of the date hereof, that such Projections are misleading in any material respect in light of the circumstances under which made, or omit to state any material fact which would render them misleading in any material respect, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

[Use following paragraph 1 for fiscal quarter-end financial statements]

1. The Borrower has delivered the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such consolidated financial statements fairly state in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

¹ This certificate should be from the chief financial officer of the Borrower, except in the case of each certificate delivered with monthly financial statements other than fiscal quarter year-end which should be from the chief financial officer, treasurer or controller.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by such financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned, during such fiscal period each Loan Party performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default or Event of Default has occurred and is continuing.]

—or—

[to the best knowledge of the undersigned, the following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]

4. The representations and warranties of the Borrower contained in Article V of the Agreement and all representations and warranties of any Loan Party that are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedules 1 and 2 attached hereto are true and accurate on and as of the date of this Certificate.

(Signature on following page)

D-2
Form of Compliance Certificate

Credit Agreement

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, ____.

PARKER DRILLING COMPANY

By: _____

Name: _____

Title: _____

D-3
Form of Compliance Certificate

Credit Agreement

For the Quarter/Year ended _____ (“Statement Date”)

SCHEDULE 1
to the Compliance Certificate
(\$ in 000's)

I. Section 7.02(a) – Consolidated Leverage Ratio.

A. Consolidated Total Debt at Statement Date \$ _____
B. Consolidated EBITDA for Subject Period (from Schedule 2): \$ _____
C. Consolidated Leverage Ratio (Line I.A ÷ Line I.B): _____ to 1

Maximum permitted:

Four Fiscal Quarters Ending
each fiscal quarter

Minimum Consolidated Leverage
Ratio
4:00 to 1

II. Section 7.02(b) – Consolidated Interest Coverage Ratio.

A. Consolidated EBITDA for measurement period ending on above date (“Subject Period”) (from Schedule 2): \$ _____
B. Consolidated Interest Charges for Subject Period: \$ _____
C. Consolidated Interest Coverage Ratio (Line II. A ÷ Line II.B): _____ to 1

Minimum required:

Four Fiscal Quarters Ending
each fiscal quarter

Minimum Consolidated Interest
Coverage Ratio
2.50 to 1

III. Section 7.02(c) – Consolidated Senior Secured Leverage Ratio.

A. Consolidated Senior Secured Debt at Statement Date \$ _____
B. Consolidated EBITDA for Subject Period (from Schedule 2): \$ _____
C. Consolidated Senior Secured Leverage Ratio (Line III. A ÷ Line III.B): _____ to 1

Maximum permitted:

Four Fiscal Quarters Ending
each fiscal quarter

Consolidated Senior
Minimum Secured Leverage Ratio
1.50 to 1

For the Quarter/Year ended _____ (“Statement Date”)

SCHEDULE 2
to the Compliance Certificate
(\$ in 000's)
Consolidated EBITDA
(in accordance with the definition of Consolidated EBITDA
as set forth in the Agreement)

<u>Consolidated EBITDA</u>	<u>Quarter</u> <u>Ended</u>	<u>Quarter</u> <u>Ended</u>	<u>Quarter</u> <u>Ended</u>	<u>Quarter</u> <u>Ended</u>	<u>Twelve</u> <u>Months</u> <u>Ended</u>
Consolidated Net Income					
+ Consolidated Interest Charges					
+ income taxes					
+ depreciation expense					
+ amortization expense					
+ amortization of intangibles and organization cost					
- non-recurring expenses					
- other non-cash charges					
- income tax credits					
- non-recurring income or gains					
- non-cash income					
- cash expenditures added as non-cash charges in prior period					
= Consolidated EBITDA					

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [the][each]¹ Assignor identified in item 1 below ([the][each, an]² "Assignor") and [the][each] Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]³ hereunder are several and not joint.]⁴ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below (including, without limitation, the Letters of Credit included in such facilities⁵) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

- 1. Assignor[s]: _____
2. Assignee[s]: _____

1 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.
2 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
3 Select as appropriate.
4 Include bracketed language if there are either multiple Assignors or multiple Assignees.
5 Include all applicable subfacilities.

[for each Assignee, indicate [Affiliate][Approved Fund] of [*identify Lender*]]

3. **Borrower:** Parker Drilling Company, a Delaware corporation
4. **Administrative Agent:** Bank of America, N.A., as the administrative agent under the Credit Agreement
5. **Credit Agreement:** Amended and Restated Credit Agreement, dated as of [December _____, 2012], among Parker Drilling Company, as Borrower, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent and L/C Issuer, and the other Persons from time to time party thereto
6. Assigned Interest:

<u>Assignor[s]⁶</u>	<u>Assignee[s]⁷</u>	<u>Facility Assigned⁸</u>	<u>Aggregate Amount of Commitment/Loans for all Lenders⁹</u>	<u>Amount of Commitment/Loans Assigned</u>	<u>Percentage Assigned of Commitment/Loans¹⁰</u>	<u>CUSIP Number</u>
			\$ _____	\$ _____	_____ %	
			\$ _____	\$ _____	_____ %	
			\$ _____	\$ _____	_____ %	

[7. **Trade Date:** _____]¹¹

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

- ⁶ List each Assignor, as appropriate.
- ⁷ List each Assignee, as appropriate.
- ⁸ Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Loan Commitment", etc.).
- ⁹ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
- ¹⁰ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
- ¹¹ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title: _____

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title: _____

[Consented to and]¹² Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Title: _____

[Consented to:]¹³

[COMPANY]

By: _____
Title: _____

¹² To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

¹³ To be added only if the consent of the Borrower and/or other parties (e.g. L/C Issuers) is required by the terms of the Credit Agreement.

[_____] ¹⁴

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

1.1. Assignor. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 10.06(b)(iii), (v), and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 10.06(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the][such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the][such] Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit

¹⁴ Describe Credit Agreement at option of Administrative Agent.

decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

FORM OF ADMINISTRATIVE QUESTIONNAIRE

(Attached hereto)

E-2-1
Form of Administrative Questionnaire

Credit Agreement

ADMINISTRATIVE DETAILS REPLY FORM – (US DOLLAR ONLY)
CONFIDENTIAL

1. Borrower or Deal Name Parker Drilling Company

E-mail this document with your commitment letter to: John Howard and Alan Tapley
E-mail address of recipient: jhoward5@baml.com and alan.tapley@baml.com

2. Legal Name of Lender of Record for Signature Page: _____

Markit Entity Identifier (MEI) # _____

Fund Manager Name (if applicable) _____

Legal Address from Tax Document of Lender of Record:

Country _____

Address _____

City _____ State/Province _____ Country _____

3. Domestic Funding Address:

Street Address _____

Suite/ Mail Code _____

City _____ State _____

Postal Code _____ Country _____

4. Eurodollar Funding Address:

Street Address _____

Suite/ Mail Code _____

City _____ State _____

Postal Code _____ Country _____

5. Credit Contact Information:

Syndicate level information (which may contain material non-public information about the Borrower and its related parties or their respective securities will be made available to the Credit Contact(s). The Credit Contacts identified must be able to receive such information in accordance with his/her institution's compliance procedures and applicable laws, including Federal and State securities laws.

Primary Credit Contact:

First Name _____

Middle Name _____

Last Name _____

Title _____

Street Address _____

Suite/Mail Code _____

City _____

State _____

Postal Code _____

Country _____

Office Telephone # _____

Office Facsimile # _____

Work E-Mail Address _____

IntraLinks/SyndTrak _____

E-Mail Address _____

Secondary Credit Contact:

First Name _____

Middle Name _____

Last Name _____

Title _____

Street Address _____

Suite/Mail Code _____

City _____

State _____

Postal Code _____

Country _____

Office Telephone # _____

Office Facsimile # _____

Work E-Mail Address _____

IntraLinks/SyndTrak _____

E-Mail Address _____

ADMINISTRATIVE DETAILS REPLY FORM – (US DOLLAR ONLY)
CONFIDENTIAL

Primary Operations Contact:

First _____ MI ____ Last _____
Title _____
Street Address _____
Suite/ Mail Code _____
City _____ State _____
Postal Code _____ Country _____
Telephone _____ Facsimile _____
E-Mail Address _____
IntraLinks/SyndTrak E-Mail
Address _____

Secondary Operations Contact:

First _____ MI ____ Last _____
Title _____
Street Address _____
Suite/ Mail Code _____
City _____ State _____
Postal Code _____ Country _____
Telephone _____ Facsimile _____
E-Mail Address _____
IntraLinks/SyndTrak E-Mail
Address _____

Does Secondary Operations Contact need copy of notices? ___ YES ___ NO

Letter of Credit Contact:

First _____ MI ____ Last _____
Title _____
Street Address _____
Suite/ Mail Code _____
City _____ State _____
Postal Code _____ Country _____
Telephone _____ Facsimile _____
E-Mail Address _____

Draft Documentation Contact or Legal Counsel:

First _____ MI ____ Last _____
Title _____
Street Address _____
Suite/ Mail Code _____
City _____ State _____
Postal Code _____ Country _____
Telephone _____ Facsimile _____
E-Mail Address _____

6. Lender's Fed Wire Payment Instructions:

Pay to:

Bank Name _____
ABA # _____
City _____ State _____
Account # _____
Account Name _____
Attention _____

7. Lender's Standby Letter of Credit, Commercial Letter of Credit, and Bankers' Acceptance Fed Wire Payment Instructions (if applicable):

Pay to:

Bank Name _____
ABA # _____
City _____ State _____
Account # _____
Account Name _____
Attention _____

Can the Lender's Fed Wire Payment Instructions in Section 6 be used? ___ YES ___ NO

ADMINISTRATIVE DETAILS REPLY FORM – (US DOLLAR ONLY)
CONFIDENTIAL

8. Lender’s Organizational Structure and Tax Status

Please refer to the enclosed withholding tax instructions below and then complete this section accordingly:

Lender Taxpayer Identification Number (TIN): _____ - _____

Tax Withholding Form Delivered to Bank of America (check applicable one):

___ **W-9** ___ **W-8BEN** ___ **W-8ECI** ___ **W-8EXP** ___ **W-8IMY**

Tax Contact:

First _____ MI _____ Last _____
 Title _____
 Street Address _____
 Suite/ Mail Code _____
 City _____ State _____
 Postal Code _____ Country _____
 Telephone _____ Facsimile _____
 E-Mail Address _____

NON-U.S. LENDER INSTITUTIONS

1. Corporations:

If your institution is incorporated outside of the United States for U.S. federal income tax purposes, and is the beneficial owner of the interest and other income it receives, you must complete one of the following three tax forms, as applicable to your institution: a.) Form W-8BEN (Certificate of Foreign Status of Beneficial Owner), b.) Form W-8ECI (Income Effectively Connected to a U.S. Trade or Business), or c.) Form W-8EXP (Certificate of Foreign Government or Governmental Agency).

A U.S. taxpayer identification number is required for any institution submitting a Form W-8 ECI. It is also required on Form W-8BEN for certain institutions claiming the benefits of a tax treaty with the U.S. Please refer to the instructions when completing the form applicable to your institution. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **An original tax form must be submitted.**

2. Flow-Through Entities:

If your institution is organized outside the U.S., and is classified for U.S. federal income tax purposes as either a Partnership, Trust, Qualified or Non-Qualified Intermediary, or other non-U.S. flow-through entity, an original Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. branches for United States Tax Withholding) must be completed by the intermediary together with a withholding statement. Flow-through entities other than Qualified Intermediaries are required to include tax forms for each of the underlying beneficial owners.

Please refer to the instructions when completing this form. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **Original tax form(s) must be submitted.**

U.S. LENDER INSTITUTIONS:

If your institution is incorporated or organized within the United States, you must complete and return Form W-9 (Request for Taxpayer Identification Number and Certification). **Please be advised that we require an original form W-9.**

Pursuant to the language contained in the tax section of the Credit Agreement, the applicable tax form for your institution must be completed and returned on or prior to the date on which your institution becomes a lender under this Credit Agreement. Failure to provide the proper tax form when requested will subject your institution to U.S. tax withholding.

ADMINISTRATIVE DETAILS REPLY FORM – (US DOLLAR ONLY)
CONFIDENTIAL

*Additional guidance and instructions as to where to submit this documentation can be found at this link:

Error! Objects cannot be created from editing field codes.

9. Bank of America's Payment Instructions:

Pay to: Bank of America, N.A.
ABA # 026009593
New York, NY
Account # 1292000883
Attn: Corporate Credit Services
Ref: Parker Drilling Company

E-2-5
Form of Administrative Questionnaire

Credit Agreement

FORM OF SUBSIDIARY GUARANTY

See that certain Subsidiary Guaranty, dated as of May 15, 2008, by each of the Subsidiary Guarantors in favor of the Administrative Agent, for its benefit and the ratable benefit of each other Secured Party, as the same may have been or may be amended, supplemented or otherwise modified.

F-1
Form of Subsidiary Guaranty

Credit Agreement

FORM OF IRREVOCABLE PROXY, PLEDGE AND SECURITY AGREEMENT

See that certain Irrevocable Proxy, Pledge and Security Agreement, dated as of May 15, 2008, by each Loan Party in favor of the Administrative Agent, for its benefit and the ratable benefit of each other Secured Party, as the same may have been or may be amended, supplemented or otherwise modified.

G-1

Form of Irrevocable Proxy, Pledge and Security Agreement

Credit Agreement

FORM OF FIRST PREFERRED FLEET MORTGAGE

See that certain First Preferred Fleet Mortgage by Parker Drilling Offshore USA, L.L.C. in favor of Bank of America, N.A., as Administrative Agent for the Secured Parties, as Trustee, under the Credit Agreement dated as of May 15, 2008, as the same may have been or may be amended, supplemented or otherwise modified.

H-1
Form of First Preferred Fleet Mortgage

Credit Agreement

OPINION MATTERS

Form of Opinion of Counsel to Loan Parties

[attached]

I-1-1

Opinion of Special Counsel to Loan Parties

Credit Agreement

OPINION MATTERS

Form of Opinion of General Counsel

[attached]

I-2-1
Opinion of General Counsel

Credit Agreement

SUBSIDIARIES OF THE REGISTRANT

Consolidated Subsidiaries of the Registrant (Jurisdiction of incorporation):

Parker North America Operations, Inc. (Nevada) ⁽³⁾	100%
Parker Drilling Arctic Operating Inc. (Delaware)	100%
Parker Drilling International Holding Company LLC (Delaware) ⁽¹⁾	100%
Parker Drilling Management Services, Inc. (Nevada) ⁽⁴⁾	100%

Certain subsidiaries have been omitted from the list since they would not, even if considered in the aggregate, constitute a significant subsidiary. All subsidiaries are included in the consolidated financial statements.

- (1) Parker Drilling International Holding Company owns 64.8% of Parker Drilling Eurasia, Inc. (Delaware)
- (2) Parker North America Operations, Inc. owns 100% of Parker Drilling Company North America, Inc. (Nevada); Parker USA Drilling Company (Nevada) and Parker Drilling Offshore Corporation (Nevada).*

* Parker Drilling Offshore Corporation owns 100% of the following entities:

- Mallard Argentine Holdings, Ltd. (Cayman Islands)
- Mallard Drilling of South America, Inc. (Cayman Islands)
- Mallard Drilling of Venezuela, Inc. (Cayman Islands)
- Parker Drilling Offshore International, Inc. (formerly Mallard Drilling International, Inc.)(Cayman Islands), which owns 100% of Parker Drilling (Nigeria) Limited (Nigeria) and 100% of KDN Drilling Limited (Nigeria).
- Parker Drilling Offshore USA, L.L.C. (Oklahoma), which owns 100% of Parker Drilling Company of Mexico, LLC (Nevada), 98% of Parker Drilling de Mexico, SRL (Mexico), 2% of PD Servicios Integrales, SRL (Mexico) and 100% of Parker Enex, LLC (Delaware).
- Parker Technology, L.L.C. (Louisiana)
- Parker Tools, LLC (Oklahoma), which owns 99% of Quail Tools, L.P. (formerly Quail Tools, L.L.P.) (Oklahoma).
- Quail USA, LLC (Oklahoma), which owns 1% of Quail Tools, L.P. (formerly Quail Tools, L.L.P.) (Oklahoma).

SUBSIDIARIES OF THE REGISTRANT (continued)

- * Parker Drilling Offshore Corporation owns 98% of PD Servicios Integrales, SRL (Mexico).
 - * Parker Drilling Offshore Corporation owns 2% of Parker Drilling de Mexico, SRL (Mexico).
 - * Parker Drilling Offshore Corporation owns 35.2% of Parker Drilling Eurasia, Inc. (Delaware), which owns 100% of Parker Drilling Company International Limited (Nevada), 100% of Parker Drilling Company Eastern Hemisphere, Ltd. Co. (Oklahoma), 100% of Parker Drillserv, LLC (Delaware), 100% of Parker Drilltech, LLC (Delaware) and 99.96% of PD Offshore Holdings C.V. (Netherlands) which owns 100% of Parker 3source, LLC (Delaware) and 99.97% of PD Selective Holdings C.V. (Netherlands) which owns 100% of the following entities:
 - Parker Drillex, LLC (Delaware)
 - Parker Drilling AME Limited (Cayman Islands)
 - Parker Drilling Company of New Guinea, LLC (Delaware)
 - Parker Drilling Company of Sakhalin (Russia)
 - Parker Drilling Company of Singapore, LLC (Delaware)
 - Parker Drilling Netherlands B.V. (Netherlands), which owns 100% of Parker Drilling International B.V. (Netherlands), 100% of Parker Drilling Kazakhstan B.V. (Netherlands), 100% of Parker Drilling Russia B.V. (Netherlands), 100% of Parker Drilling Overseas B.V. (Netherlands), 100% of Primorsky Drill Rig Services BV (Netherlands)
 - Parker Drillsource, LLC (Delaware)
 - Parker Drilling Company Kuwait Limited (Bahamas)
 - PD Labor Sourcing, Ltd. (Cayman Islands)
 - PD Personnel Services, Ltd. (Cayman Islands)
 - Parker Singapore Rig Holding Pte. Ltd. (Singapore)
 - * Parker Drilling Offshore Corporation owns 26% of Parker Drilling Pacific Rim, Inc. (Delaware), which owns 100% of Parker Rigsources, LLC (Delaware) and 99.88% of PD International Holdings C.V. (Netherlands) which owns 100% of Parker 5272, LLC (Delaware) and 99.96% of PD Dutch Holdings C.V. (Netherlands) which owns 100% of the following entities:
 - Parker Drilling (Kazakhstan), LLC (Delaware), which owns 100% of Parker Central Europe Rig Holdings LLC (Hungary) and 100% of Aral Parker CJSJ (Kazakhstan)
 - Parker Drilling Company International, LLC (Delaware), which owns 50% of Parker SMNG Drilling LLC (Russia)
 - Parker Drilling Company of New Zealand Limited (New Zealand)
 - Parker Drilling Dutch B.V. (Netherlands), which owns 100% of Parker Drilling Offshore B.V. (Netherlands) and 50% of SaiPar Drilling Co. BV (Netherlands)
 - Parker Drilling International of New Zealand Limited (New Zealand)
- (3) Parker Drilling Management Services, Inc. owns 1% of PD Management Resources, L.P., and 100% of Parker USA Resources, LLC, which owns 99% of PD Management Resources, L.P.**
- ** PD Management Resources, L.P. and Parker USA Resources, LLC were merged into Parker Drilling Management Services, Inc. effective December 31, 2012 at 11:59 p.m.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Parker Drilling Company:

We consent to the incorporation by reference in the registration statement (No. 333-144111) on Form S-3 and in the registration statements (Nos. 333-184230, 333-167695, 333-158130, 333-124697, 333-59132, 333-57345, 333-41369, 333-84069, 333-99187) on Form S-8 of Parker Drilling Company of our report dated March 1, 2013, with respect to the consolidated balance sheets of Parker Drilling Company as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, the related financial statement schedules and the effectiveness of internal control over financial reporting as of December 31, 2012, which reports appear in the December 31, 2012 annual report on Form 10-K of Parker Drilling Company.

/S/ KPMG LLP

Houston, Texas
March 1, 2013

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Gary Rich, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2012, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ Gary Rich

Gary Rich

President and Chief Executive Officer

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, W. Kirk Brassfield, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2012, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013

/s/ W. Kirk Brassfield

W. Kirk Brassfield
Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2012 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 1, 2013

/s/ Gary Rich

Gary Rich

President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2012 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 1, 2013

/s/ W. Kirk Brassfield

W. Kirk Brassfield

Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.